Wednesday December 27 1989

Romania swears in new

Gorbachev **Japanese**

agrees to head mission to Lithuania

World News

Mikhail Gorbachev, the Soviet leader, postponed a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithuamia to head off its threatened

Samuel Beckett dies Samuel Beckett, the Irish novelist and playwright who made France his home, died on Friday at the age of 83 and was buried in Paris. Page 12

Lebanon attacked Israeli forces struck deep into Lebanon in two separate raids which the military said were aimed against Lebanese Communist Party bases involved in launching attacks on Israeli troops and their local allies in Southern Lebenon. Page 12

Chinese dismissal Zhu Houze, a senior Chinese trade union official linked to liberal policies, has been removed from his post. Page 2

Chun faces charges Former South Korean President Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corruption and human rights abuses stemming from his seven-year rule.

Blast at Exxon plant A fire at the second largest oil refinery in the US has been brought under control 15 hours after a massive explosion crip-pled the Exxon plant and killed one worker. Page 2

Israeli budget

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To the state

The Israeli Government has earmarked 500m shekels (\$256m) in the next financial year to cope with an anticipated wave of immigration by Soviet Jews. Page 2

Poland signs loan Poland has signed a crucial loan package with the IMF that will help it switch to a western free market style economy.

Britain lags behind British defence companies lag behind their competitors in developing the alternative products needed to preserve jobs in the face of political change in east Europe, a trade

union leader said. Page 6 House market skimp The aluggish UK housing market is set for a further slump next year, but should experience a modest recovery in 1992, according to the Halifax Building Society, Britain's biggest home mortgage finance organisation. Page 6

Arabs attacked

Axe-wielding Palestinians set fire to an Israeli bus taking Arab workers from the occupied West Bank to jobs in Israel but all 50 passengers escaped without injury, the driver said.

History rethink

East Germany has scrapped school history books glorifying its disgraced former Stalinist leaders and is completely rethinking the teaching of hisagency said.

Czech prison unrest Unrest has spread among inmates at three Czechoslovak prisons demanding an amnesty

according to a report on Czechoslovakian radio. US condemned

Marxist Angola condemned the US invasion of Panama and called on Washington to pull its troops out of the Cen-tral American country.

Rebels gain ground Rebels in northern Ethiopia said they killed, wounded or captured 1,066 government troops when they seized the towns of Rabel and Mehal Meda in Shoa province.

Bofors hopeful

Swedish arms company Bofors said it remained hopeful it would win a major new contract from India despite the New Delhi government's threat to bar the company from fur-ther defence deals.

Sydney drugs find An American tourist and his Australian companion appeared in court in Sydney after customs officers found them wearing girdles holding 7.500 tablets of the drug Ecstasy, with an estimated

Business Summary central bank lifts discount rate to 4.25%

Japanese bankers, businessmen and investors welcomed the Bank of Japan's decision to raise the Official Discount Rate by 0.5 percent-age points to 4.25 per cent and-ing uncertainty about the key monetary policy instrument.

CAMPEAU: many of the retailing empire's US apparel suppli-ers and wholesale merchants said they would suspend ship-ments of goods after the com-pany's announcement on Fri-day that Citibank, its lead banker, had threatened to call a technical default on \$2.5km of debt. Page 15

FRENCH current account deficit reached a seasonally adjusted FFr8.6m (\$1.45bn) in the third quarter, an improvement on the FFr8.7bn shortfall in the previous three months, according to Finance Ministry estimates. Page 2

KUWAIT pledged investment in China following a visit to the oil-rich Gulf State by Chi-nese President Yang Shangkun. Page 2

OECD's Japan report: OECD warned disruptions of interna-tional financial markets, simi-lar to Black Monday in October 1987, could occur unless Japan continued to reduce its current account surphises. Page 4

BRITISH car market, which was buoyant through 1989, will slow down next year as the squeeze on consumer spending and high interest rates increase consumer caution, a trade society said. Page 4

JAPANESE budget: government ministers are to meet today to discuss revisions to the draft of the 1990-91 budget, designed to maintain the country's growth without over-stim-ulating the economy. Page 4

ROVER Group, car making subsidiary of British Aerospace, is to strengthen links with schools in a bid to encourage youngsters to go into engineering. Page 4

BRITISH Petroleum cancelled the sale of its remaining US coal assets six months after putting them on the market

ment exercise. Page 16 **BOEING** of the US plans to lay off about 1,200 workers despite orders for \$85hn of its airliners and delivery dates

stretching into the mid-1990s. BANCO Santander, Spain's fourth largest bank, said its

shares were likely to start trading in Tokyo at the end of January after the Tokyo Stock Exchange approved the first listing of a Spanish bank in Japan. Page 15

FUTURES Markets: Foreign involvement in Japanese stock index futures contracts should grow next year from its current level of 2 per cent, according to a report. Page 16

ANTAH Overseas Holdings, part of a Malaysian inves group, is taking a 32.5 per cent stake in Unigroup, a UK tim-ber, building products and clothing company. Page 17

DWYKR, the property investment and dealing company, reported a 55 per cent increase from £2.1m (\$3.4m) to £3.24m in pre-tax profits in the year to September 80. Page 17

PACIFIC, Alcan Aluminium and Maclean Hunter, the communications group, joined a parade of Canadian corpora-tions adopting "poison pills" to protect themselves from creeping takeovers and preda-

tors. Page 16 **ROYAL Bank of Scotland** Group agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel com-panies in the US. Page 17

SKANDINAVISKA Enskilda Banken signed the European portion of a \$2.5bn Euro-com-

mercial paper programme. The US portion was signed earlier this year. Page 16 US computer industry, already battered by intensifying over-seas competition and rapidly changing technology, is now at the mercy of a slowing domestic economy and lower

capital spending. Page 18 NISSHO Iwai, big Japanes trading company, bought zir-con and titanium mines in Australia for A\$240m (\$190m).

Page 15 NORTH SEA: drilling for oil and gas in the UK sector of the North Sea is expected to reach record levels in 1990, a review published by James Capel, London stockbrokers, said. Page 4

Communist Government COMMUNIST-dominated Section 1 provisional Government for

Romania was sworn in yester-day less than 24 hours after President Nicolae Ceausescu and his wife, Klena, were executed by an army firing squad.
Almost immediately the new administration received the blessing of President Mikhail Gorbachev, the Soviet leader, who congratulated the new leader. We have the property on his

leader, Mr Ion Iliescu, on his election as chairman of the National Salvation Front. The message said that Mr Iliescu "took charge of the country at a difficult moment, when Romanian patriots resolutely came out to save the nation from forces of despotism and terror."

However, the first signs of tension are already appearing in the alliance between military and political leaders who combined to overthrow the Ceausescu dynasty. Protesters in Bucharest yesterday rejected Mr Iliescu's appointment to head the Covernment.

ment to head the Government, and a string of other Commu-nists as leading members of the administration. A large crowd which had gathered in Palace Square in front of the party headquarters, yesterday condemned the Government, chanting: "No more commu

Several countries were quick to criticise the new Government for executing the Ceau-seacus without a public trial, and said that Romania should tive by the rule of law. The strongest criticism of the secret trial and execution came from the US Administration which said that it regretted that the trial "did not take place in an open and public fashion."

According to Romanian been radio and other sources, the Securitate forces, loyal to President Ceausescu, were surren-tured on Christmas Day, 60 dering en masse yesterday, miles from Bucharest, accorddefeat by news of the execu-



New leadership confers: President Ion Rieson makes a call during a meeting with colleagues and placed under police surveillance after criticising Prime Minister Petre Roman (right). The 56-year-old Rieson, who knew Soviet President Mikhail Gorbachev during student days in Moscow, had been demoted from his post of since the collapse of Ceausescu's rule.

chanting: "No more communism, down with the Communism, down with the Communist Party." Romanian television yesterday broadcast pictures of the bodies of President and Mrs Ceausescu, reportedly filmed moments after they were executed by a fixing squad. The couple were shown on television being tried for conducting semocide against the Romanian Nikolae and Elena Ceausescu were tried to their law? By John Lloyd THE trial and execution of was shot down by its own read. Thours. The Ceausescus were tried

Nikolae and Elena Ceausescu were described yesterday to a small group of reporters, by Captain Michael Lupoi, a member of the original 31strong Committee of National

The captain, standing in the rains of the former President's rooms in the Central Commit-tee building, smiled and laughed often as he talked about the Ceausescus' end. There seemed little doubt from the details he gave that he had been witness to much of what

The Ceausescus were cap-tured on Christmas Day, 60 ing to Capt Lupoi, after the helicopter in which they had fled was forced to land.

However, sporadic gunfire still rang through parts of the Continued on Page 12
Other reports, Page 3; Editorial Comment, Page 10; Romania's raw revolution Page 10

was shot down by its own read. The trial lasted two

The Ceausesons were taken by road to an army base which the captain would not name and almost immediately put before a specially convened military tribunal; they were tried according to the law. "Their law," said Capt Lupoi, lengting.

Both were offered defence lawyers which both refused. The ex-President demanded that they be tried before the National Assembly because he did not recognise the competence of the court. They were placed in a makeshift dock created by pushing the ends of two formica-topped tables together in a V: both kept their outward composure throughout, occasionally

genocide, salting away \$1hn in Swiss bank accounts and caus-

The sentence - never in doubt - was death by shooting. According to Capt Lupoi there was a competition among the soldiers to make up the firing squad when the death sentence was pro-nounced. It was at this moment that Klena Ceausesca said: "But I have been as a mother to you!" To which a soldier retorted: "You have been a mother who killed her

brothers." Their last wish was to die together: a wish which was granted. They were put against a wall and shot by an officer and two soldiers at 4pm on Christmas Day: their bod-ies, lying crookedly against the wall, were videoed and that video was broadcast yesterday afternoon on Romanian

That, it seems, after the flurry of false reports of arrest and escape and arrest again, really was the end.

Daiwa told to suspend corporate business for two days

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance yesterday ordered Daiwa Secu-rities, the country's second largest stockbroker, to suspend business for two days in its corporate customer division, which is at the centre of allegations that the company secretly compensated favoured customers for stock trading losses of more than Y10bn (\$70m).

The ministry also demanded that the company review its management structure and not raise new capital for a short but unspecified period.

Daiwa said four employees would resign, 12 executives would take a 10 per cent pay cut for between three months and a year and 38 senior officials would not receive their scheduled end-of-fiscal-year bonus in March.

The broker has admitted covering the losses incurred in 1975-80 by about 20 corporate clients and that the losses were disguised by a complex arrangement in which shares were sold through an unlisted subsidiary. The ministry had requested that the company correct financial statements for 1985 to reflect the losses.

The company formally apologised for causing a negative social impact, although it is believed that the Ministry of Finance could not prove that the company had made a pledge of loss compensation in advance of the clients' share purchases – a pledge that would have violated Article 50 of the Japanese Securities and Exchange Law. Daiwa has insisted that it did not give advance guarantees to the cus-

The case has embarrassed Japanese financial authorities, which are conscious of the country's image as an interna-tional financial centre.

Horaign brokers have suggested that, while the Daiwa case involves allegations that are several years old, the company is probably not the only Japanese broker to have engaged in such transac-Daiwa executives said yes-

terday that they would attempt would not recur. The company said the timing and form of the suspension, which will affect the investment services and corporate finance departments, had not been decided, although it is likely to take place next Continued on Page 12 OECD survey, Page 4.



US seeks to freeze assets held by Noriega

By Tim Coone in Panama City and Nancy Dunne in Washington

The US will today ask other nations to freeze the assets of General Manual Noriega, Pan-ama's ousted dictator, who has taken refuge in the Vatican mission in Panama City. "We will be taking steps

tomorrow to freeze Noriega's bank accounts in a number of foreign countries," said Mr David Runkel, a spokesman for the US Justice Department. He estimated that Norlega,

who is wanted in the US on drug-trafficking charges, took more than \$10m in drug-related proceeds out of Panama.

Mr Runkel said legal papers
would be filed today in at least

six – but fewer than 12 – for-eign nations, seeking a freeze on Gen Noriega's assets. "We will be on their doorsteps in the morning," he said. He declined to name any of the nations, though he said most

nations, though he said most were European.
General Noriega sought asy-lum at the embassy of the Papal Nuncio in Panama City on Christmas Eve, as organised resistance by regular Panama-nian troops to the US invasion gradually collapsed

gradually collapsed.

Monsignor Juan Sebastian
Laboa, the Papal Nuncio, said
over the weekend that Gen
Noriega would not be surrendered to the US Government,
and an embergasing structor. and an embarrassing stand-off has developed. The nunciate has been ringed with US troops and armoured cars. General Noriega has

Spain and Cuba, but Spanish diplomats in Panama have ruled out their country as a place of exile for the ousted leader. The Peruvian government offered him asylum. Cuba has indicated that it

Continued on Page 12 Analysis, Page 2

Vauxhall looks set for record 65% profits growth in 1989

By Kevin Done, Motor Industry Correspondent, in London

expected to report a record operating profit of more than 2250m (\$395m) this year, an increase of 65 per cent from £1524m in 1988.

Vauxhall's net profit is understood to have increased to more than £200m from £151.9m last year. It has achieved record sales and has emerged as the fastest growing leading car maker in the UK new car market.

The company's financial per-formance has been trans-formed in the last three years, after two decades of almost continuous losses. It will pay corporation tax for 1989 for the first time in 20 years. In 18 years to 1987, Vanxhall

managed a marginal net profit in only two years, 1971 and 1978. From 1979 to 1986 the company ran up accumulated

Stretching the limits to make a

VAUXHALL, the British motor buoyant UK car market, the manufacturer and subsidiary of General Motors of the US, is 1987 with a net income of

£31m, followed by a net profit of £151.9m last year. In the two years 1987-88, Vauxhall made more profit than in its entire previous histhan in as entire previous instory since it was taken over by GM in 1925.

The company's turnround, combined with the readiness of

its workforce at Ellesmere Port, north-west England, to accept a far-reaching package of labour reforms, means that Vauxhall's Merseyside site is also emerging as the leading candidate for GM's next big European investment project, a £150m engine plant. GM Europe's increasing

sourcing of components from the UK - it has transferred about £450m of business to UK suppliers in the three years 1986-88 - has been one of the factors behind Vauxhall's improving profitability, and the siting of a large compo-nents plant in the UK would accelerate this process.

shake-up ...

Vauxhall officials expect a decision in the first quarter of 1990. Kliesmere Port has been competing for the project with GM's Kaiserslautern plant in West Germany.

Vauxhall has enjoyed a record year in 1989 and has succeeded for the first time in ousting Rover from second place in the UK car market. It increased its car sales vol-ume by 16.7 per cent to 335,646 in the first 11 months compared with a 4.3 per cent increase in the overall market. In November, the Vauxhall Cavalier emerged as the single best-selling model in the UK, the first time the Ford stranehold on the top position had been broken since early 1986. Vauxhall is expected to have

sold nearly 350,000 cars in the UK this year - a record level - compared with 303,585 last year. It is aiming to achieve a "marginal" increase in UK car sales in 1990

UK car makers fear slowdown, Page 4

UK Civil Services Companies House risks

Following a drastic reduction in its operations since the late 1970s and helped by a



Companies

brand new company," explains Bob Bauman (left), manager of a demanding, round-the-clock effort to reorganise Smith-Kline Beecham, the drugs and consumer

products giant formed

Theatre: Plays that inspired in 1989 ... Editorial Comment: Ceausescu's violent end; Long-termism in the City ... Lexi Refining the price of commodities; Reader's Digest; Markets ______12 Computers: Here come the years of living dangerously Financial Futures _____ 24 Stock Markets . __ 22_23 18-21 24 Weather

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Facility and Tender Panel Agent

Singh to

scandal

take action

on Bofors

INDIA'S new Government, alleging the Swedish Bofots arms company paid tribes to win a 1987 contract, said yesterday that it would do no terday that it would do no

terday that it would do no more business with the company until it named Indians who took money, Reuter reports from Delhi.

Indian news agencies quoted Mr Vishwanath Pratap Singh, the Prime Minister, as telling Parliament be had also asked Swiss and Swedish authorities for help investigating the \$1.3m deal.



Tutu: criticising Israel

Tutu urges Israelis to forgive Nazi holocaust

South African Archbishop Desmond Tutu yesterday urged Israelis to forgive the Nazis for killing 6m Jews during World War Two and condemned the historically persecuted people for oppressing Palestinians, Reuter reports from Jerusa-

Archbishop Tutu, on a Christmas pilgrimage to the Holy Land, told reporters he would continue to criticise Brael's occupation of the West Bank and Gaza Strip even if it meant being called anti-Se-mitic and "black Nazi pig". Israeli vandals wrote "Tutu

is a Nazi" in black marker on the wall of the Israeli Religious Affairs Ministry before the archbishop met minister Mr Zevulun Hammer there yester-

On Monday, they wrote "Tutu is a black Nazi pig" on the wall of St George's Angli-can Church in East Jerusalem, where he celebrated Christmas

Tutu said after visiting the Yad Vashem Holocaust Memorial that he would relay the following message to the children of victims of Nazi perse-

made it happen, help us to for-give them and help us so that we in our turn will not make others suffer."

Archbishop Tutu, who said on Monday that the struggle between Palestinians and Jews mirrored that between blacks and whites in South Africa, compared the starvation and ghetto life of Jews during the holocaust with that of blacks living under apartheid. Later the Nobel peace prize

winner told reporters: "When I find injustice and oppression anywhere in the world, whoever perpetrates it must know that I will condemn them and if I am accused of being anti-Semitic, tough luck."

Coalition bill of \$256m for immigration

By Hugh Carnegy in Jerusalem

THE Israeli Government has (\$256m) in the next financial year to cope with an anticipated wave of immigration by Soviet Jews which is now widely acknowledged to pose a profound challenge to the country's fragile economy.

The 54.4bn shekels 1990-91 budget approved by the coalition cabinet on Monday carries the usual hefty allocation for defence spending, stretched for the third year running by the cost of policing the Palestinian uprising in the occupied territories. The budget - still to be approved by the Knesset - foresees a deficit of 2.5bn shekels, or about 3 per cent of GNP, a significant improve-ment on that expected for

1989-90 - if it is achieved. Senior government officials freely acknowledge that all their budget sums could be thrown out by immigra-tion - including a modest planned shift away from direct to indirect taxation.

The 500m shekels spending set aside for immigrant absorption is based on an estimate that 40,000 Soviet Jews will come to Israel next year. But monthly arrival figures have leapt recently, already approaching such an annual rate. The Jewish Agency, which shoulders much of the absorption burden, reckons 250,000 will come within four years, swelling a present population of 4.5m.

A combination of freer emi-gration policies under President Gorbachev, poor economic conditions, a fear of a resurgence of anti-Semitism and tougher entry restrictions by the US - the preferred destination for the vast majority - has pushed increasing numbers of Soviet Jews to head for Israel at a time of

little growth and high unemployment in the Jewish state. The extra funds next year will be spent on new housing and other infrastructural needs, subsidised mortgages, language training and other provisions. The inflow may help push up growth next year after a stagnant 1989, but may also spur annual inflation currently at 20 per cent.

Chinese liberal dismissed from top union post

ZHU HOUZE, a senior Chinese trade union official linked to liberal policies, has been removed from his post, it was

announced yesterday.

Zhn was dismissed as vice president and first secretary of the state-controlled All-China

the state-controlled All-China Federation of Trade Unions on Monday, Gongren Ribao, the Workers' Daily said.

The paper gave no reason for his dismissal, and an ACFTU official said it was a "normal personnel change". The official would not say if Zhu, who held the ACFTU post for a little more than a year, had been moved to a new job.

It was the second time in recent years that Zhu has apparently run into trouble as

apparently run into trouble as a result of a conservative backlash against pressures to make the party and government

more open and democratic.

He was fired as head of the
Communist Party propaganda
department in February 1987,
less than a month after party
chief Hu Yaobang was ousted for failing to stop pro-democ-racy student demonstrations. Zhu was thought to have supported Hu's stance that the party should become more tol-

In 1987 he was appointed deputy director of the Rural Development Research Centre, a think tank with ties to Zhao Ziyang, the party leader purged in June after being charged with abetting the stu-dent-led democracy movement. He was transferred to the

trade union position in 1988, and was possibly held responsi-ble for the failure of union leaders to stop some of its members from participating in the pro-democracy campaign. China bans all independent unions, and after the military crushed the Tiananmen movement in June, authorities moved quickly to arrest those active in trying to establish non-government organisations

to represent workers' interests. The conservative leaders who took control after the June crackdown have followed the custer of Zhao and Polit-buro member Hu Qili with a gradual campaign to remove from office those associated with Zhao's liberal policies.

The Workers' Daily said Zhu had been replaced by Yu Hon-gen, former president of the China National Coal Corpora-

Another senior economic planner was also replaced yesterday, but there was no indication that the move had any implications for policy. Yao Yilin, a senior polithuro member, was replaced as chair-man of the state's highest eco-nomic planning body, it was

The National People's Congress, China's parliament, appointed Zou Jiahua, a tech-

nocrat who headed the Machine Building and Electronics Industry, as the new minister of the planning com-State radio quoted Premier Li Peng as saying the move was aimed at giving Yao, 72, more time for his other respon-

sibilities in the State Council, China's cabinet. Yao's main hold on power rests in his position on the elite six-man standing committee of the Communist Party

politburo, China's top deci-sion-making body organ. Yao, considered a close ally of Li and, like the premier, a strong advocate of more cen-tral planning in the economy, has taken a leading role in enforcing an austerity drive to curb inflation.

Panama's nationalism lies in ruins

The US invasion has undone the Torrijos legacy, writes Tim Coone

N FRONT of the shattered Amador barracks in Pan-ama lies the tomb of General Omar Torritos. The progenitor of Panama-

The progenitor of Panama-nian nationalism, the destroyed Panamanian Defence Forces and the Revolutionary Democratic Party of Panama, there is now little left of his legacy. Only the 1977 Canal Treaty he negotiated with the Carter administration remains. Even the town has a dubious even that now has a dublous validity. "He must be turning in his grave," said a foreign reporter visiting the scenes of the first hours of fighting of last week's US invasion.

But although the invaders were cheered as liberators by most Panamanians, and the despised General Manuel

despised General Manuel Noriega was ousted from power, resistance is continuing and neither the US troops nor the new government of Presi-dent Guillermo Endara have yet succeeded in re-establish-ing law and order.

Almost a week after the beginning of the invasion, US troop presence in Panama City is almost non-existent except for those guarding strategic points. The havoc wrought by the breakdown of law and order and the inability or unwillingness of the US inva-sion forces to do anything about it has inflicted infinitely more damage on the economy than destruction wrought by the fighting. Looting losses are estimated at hundreds of mil-lions of US dollars.

There are scenes of anarchy and chaos in all the shopping centres of Panama City. Practically every store in the city has been looted. Bands roam the streets in stolen cars loaded with bags of stolen goods, looking to ransack stores for anything of commercial value. Broad sectors of Panamanian society have participated in the free-for-all. One middle-class woman who was stealing shoes from a shop along the formerly elegant Via Espana shopping district had the wheels from her car stolen by other looters. In many middle-class neighbourhoods vigilante groups have sprung up and erected



armed with pistols, shotguns and hunting rifles to prevent looters from robbing homes.

Deaths are mounting.

The foreign diplomatic community is furious about the lack of protection given to their embassies. Several embassy buildings have been attacked by looters; the Brazilian embassy has been ran-

According to US military commanders their orders are to concentrate on military tar-

Meanwhile, shortages of food and medical supplies are becoming serious problems throughout the country. Queues of up to a thousand people have formed outside the few supermarkets that have not yet been looted. The dire conditions facing the Panama-nian population contrast sharply with the relative lux-ury in which US troops have conducted their invasion. A half-eaten US military ration of apple cinnamon cake, still in its special plastic tray, lies in the rubble of a destroyed neighbourhood in Panama City. A few metres away, there are still dead civilians in the smouldering rubble, days after the US bombardment of the nearby headquarters of Gen Noriega killed them.

Gen Noriega has given him-self up but the war is far from

over. Senior US military officers are now "seriously con-cerned" about reports of PDF units and militias regrouping north-west of Panama City. West European diplomats

point out that the new governpoint our that the new government of Mr Endara is composed almost entirely of white faces, the so-called "Rabi-blancos" of the upper classes of Panamanian society whom General Torrijos despised. "They are white oligarchs,"

The success and popularity of Gen Torrijos, although he was a military dictator for 13 years following a coup in 1968, sprang from bringing status and social mobility to the black and mixed-race majority of the Panamanian population. "He bought health, education and housing to them," said one dip-lomat. Public sector employ-

ment was greatly expanded.

The task of economic reconstruction is an urgent priority for the new government but, given its right-wing orienta-tion, resources are likely to be channelled via the private rather than the public sector. This will alienate many public sector employees who face lay-

After the imposition of US economic sanctions, the country's GNP suffered a 25 percent drop in 1988 and a further substantial fall during 1989. "Even if the level of economic

els and an annual growth rate of 3 per cent is achieved it will take 10 years to recover living standards achieved earlier this decade," said an EC diplomat in Panama

in ranama.

A rapid economic recovery is, however, essential if class and political tensions are not to resurface. Mr Guillermo Ford, the new Planning Minister, has said that \$400m held in escrow accounts in the US and owed to the Panamanian Government is being released immediately. But all that money flowing back into the economy could cause severe inflationary problems.

inflationary problems.

With the corrupting influence and power of Gen Norlega out of the way, the path is cleared for left-wing and Marxist elements to assume leadership of the resistance forces. If at the same time President Endars attempts to roll back at the same time President Endara attempts to roll back the profound changes brought about in Panamanian society as a result of 21 years of nationalist rule, 13 of them under the populist Gen Torrijos, the latter's ghost may be back to haunt him.

Even IIS troops recognize

back to haunt him.

Even US troops recognise the power of Gen Torrijos' image. A US army public relations officer said that during the fighting for Amador barracks US troops were instructed to avoid hitting the general's temp. These did not

tended to see the conflict as more than a clash between Gen

Noriega and the Reagan and Bush administrations. At stake

in the outcome, in his view, is the relations Latin America

should enjoy with the US. In the aftermath of the US intervention and in the course

of the negotiations over Gen

Noriega's personal fate, Msgr Laboa is more than likely to try to seek ways of limiting the

damage to Panama's sover-

for help investigating the \$1.30n deal.

"Let it be shown clearly that there is no delaying on this issue and no compromise," said Mr Singh, who defeated Mr Rajiv Gandhi's Congress party in last month's election, campaigning largely on charges over the Bofors deal.

Both Bofors and Mr Gandhi deny any bribes were paid to secure the contract for supplying army field guns. ing army field guns.

Mr Singh said Sweden had been asked to produce a 1987 report by the Swedish Audit Bureau on the Bofors contract. In October the Stockholm Government

ernment turned down a request by Mr Gandhi's Gov-ernment to hand over the report, whose findings have been only partially disclosed. Sweden said it was for Bofors to clarify details of the transac-

Yngoslavia sets up stock exchange

Yugoslavia yesterday set up a stock exchange in the northern city of Ljubijana, the official Tanjug news agency said, AP-DJ reports from Belgrade. It said the exchange was founded with a total capital of Dinars 20bn, and that 152 stocks representing more than 50 per cent of its capital were owned by 28 Yugoslav banks. owned by 23 Yugoslav banks.

The exchange will list Yugoslav and foreign companies and will publish the so-called YUIX – the Yugoslav Index – of average closing prices of selected stocks at the close of each trading day.

A capital and securities market was established last month in Belgrade in keroins with

in Belgrade in keeping with reformist policy of Mr Ante Markovic, the Prime Minister, who is intent on introducing Western market mechanisms into the economy.

Algeria's FLN purges the old guard

Veteran politicians were excluded from the leadership of Algeria's ruling National on Monday when its polithuro was elected by a large major-ity. Renters reports from Algiers.

The new polithuro confirmed President Chadli Benjedid's decision to liberalise the political system. The FLN, which has ruled Algeria in a oneparty system since indepen-dence in 1961, is now one of more than 80 political partie The party's central committee elected a 15-member polithuro and re-elected Mr Abdelhamid Mehri secretary-general.

12.5

Comoros parties form unity pact

The main political groups in the Comoros Islands, ruled briefly by white mercenaries after President Ahmed Abdallah was assassinated a month ago, agreed on Monday to form a provisional national unity government, Reuter reports from Morani.

The groups decided at a meeting that the provisional government should organise a multi-candidate presidential election, ending single-party rule in the Indian Ocean islands. The meeting also agreed to proclaim an amnesty for all political prisoners and open an inquiry into the death of the President.

Ethiopian charged over com bid

Fourteen high-ranking officers implicated in a coup attempt against Ethiopia's President Halle Mengistu Mariam last May were charged yesterday with attempting to overthrow the government, Reuter reports from Addis Ababa. FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolietistrase 54, 600 Frankfurt Branch, (Guiolietistrase 54, 600 Frankfurt Branch, 105-722677; Telex 416193 represented by B. Higo, FrankfurtMain, and, as members of the Board of Disustors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.B.P. Palmer, London, Frinter: Frankfurtet Sociatates, PrankfurtMain, Responsible editor: Sir Geoffrey Owen, Francial Times, Number One Southwark Bridge, London SB1 9HL.

6 The Financial Times Ltd, 1989.
FINANCIAL TIMES, USPS No 190640, published daily except Sandays and holidays. US subscription rates \$365.00 per annum. Second-class postage and addicts change to: FINANCIAL TIMES, 11 and 21 additional mailing office, POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia), Otter, sade 44 DR-1100 Commitments.

Financial Times (Scandinavia) Oster-gade 44, DR-1100 Copenhagen K. Den-mark. Telephone (01) 13 44 41. Fax (01) 935335.

US oil refinery fire brought under control Papal Nuncio steps out into the limelight

By Our Foreign Staff

A FIRE at the second largest oil refinery in the US was brought under control yesterday, two days after an explosion crippled the plant and killed one worker.

Sunday's blast and the subsequent fire destroyed eight storage tanks holding more than 4m gallons of fuel oil and lubricants and two separator units which remove water from oil at Exxon's 455,000 barrel-a-day refinery in Baton Rouge, Louisiana, company officials said.

The only larger plant in the US is an Exxon plant in Baytown, Texas.

The cause of the blast, which killed one and injured four, was still being investigated. A gas release, perhaps brought on by record cold temperatures, was suspected to have caused the accident, said plant manager Ed Galante. Exxon said the blast dam-

aged some internal pipelines but the plant's producing facili-ties were not affected. The company did not know when production would resume.

Contract volumes were not expected to be interrupted, Exxon said, because the company's units in Texas and New Jersey could take up any slack. A tanker of heating oil left Baton Rouge recently and the next tanker will not leave until

But the accident, the lates in a series of incidents at oil and petrochemical installations, raised expectations of a

rise in prices. There were fears that the explosion and fire could strain an already tight market for fuels

Heating oil futures rose. building on the strong demand brought about by the bitterly cold US weather. February heating oil was up

two cents at 70.89 cents a gal-lon on the New York Mercantile Exchange yesterday while limitless January oil jumped nearly four cents to 85.75 Windows were broken in a

Panama will be playing a role familiar to him in all but the publicity which now surrounds it, writes David Gardner. Thoughout more than two years of crisis between the US and General Manuel Noriega's regime, Monsignor José Sebas-tián Laboa, the Papal Nuncio,

has been the most valuable intermediary available. A wise and worldly Basque Jesuit, Msgr Laboa several

THE VATICAN'S man in

shopping centre in Baton Rouge several miles away and there were reports of looting. Force Base in Panama on charter flights

reaching a negotiated solution between Gen Noriega and Washington. These negotia-tions were conducted with the

The Nuncio's modest residence on one corner of Panama City's bay became a mandatory stop for visiting and local US officials who often enough had to wait for Gen Norlega's emis-saries first to withdraw. No single person in Panama commands more respect.

ment of former President Eric Delvalle, to the new President Guillermo Endara, and now Gen Noriega himself.

Msgr Laboa is also the very active doyen of the diplomatic corps in Panama. Prior to this posting, he had made the

the Nunciature has given asy-lum to ministers in the govern-

arger part of his career in Though he has taken full

account of the personalities

Concern over news management by US military

by the US invasion of Panama has been the deliberate effort by the US armed forces to control the release of informa-tion and to place obstacles in the way of journalists attempting to obtain sources of information independent of the US

invasion forces, writes Tim Coone. On the first two days of the invasion the press was denied access to Panama. It was only last Friday, the third day of the invasion, that some 300 journalists, including the FT's correspondent, were permitted to fly into the Howard US Air from Miami and San José in Costa Rica. For a further 36 hours we were held virtually as prisoners on US military stallations in Panama, were given very limited information on what was happen-ing and access to only a half a dozen telephones to file our stories. Many of us

were unable to meet deadlines.
At Howard Air Force Base, no food apart from popcorn was available.
The journalists were restricted to only two rooms in one building, and only two telephone lines were provided. When dead US soldiers were brought on to the base, TV cameramen and photographers were

pushed and ordered away from the windows. Senior US military efficers told the journalists it was too dangerous to allow them into Panama City. An option was then given of flying back to the US, on a military flight. More than 140 journalists chose to do so.

Finally, on Saturday afternoon, those who remained were permitted to leave the US bases and venture into Panama City. Accurate casualty figures, both military and civilian, are thus hard to come by. Official US casualty figures of 23 soldiers dead and 303 wounded after one week of fighting are being seriously questioned.

Kuwait pledges new investment in China

KUWAIT has pledged investment in China following a two-day visit to the oil-rich Gulf State by Chinese President Yang Shangkun officials reported yesterday, AP reports from Kuwait.

Yang left for Oman, the last leg of a Gulf tour which started in the United Arab Emirates. He is seeking to cement China's foothold in the region and boost economic aid from the conservative Arab states to offset a Western boycott fol-lowing Peking's spring crack-down on China's democratic

Kuwait established diplomatic relations with China in 1971, the first Gulf states to do

It also boasts extensive overseas investments, with some already diverted into projects



in China, the world's largest Communist nation. The officials said Kuwait's emir, Sheik Jaber al-Ahmed alSabah, and Yang agreed to expand economic cooperation.
The Kuwait Fund for Arab

Chinese-Kuwaiti Commission on Economic and Technical Cooperation. Economic Development, the government's lending agency, agreed to finance six more development projects in China, including a \$25m airport, the officials reported. The fund is financing 12 pro-

Kuwaiti and Chinese officials signed two protocols, one for economic and technical cooperation and the other for averting double taxation, to upgrade the legal and technical framework of their coopera-

sem al-Khorafi and his Chinese

counterpart, Wang Bingqian, at the end of a meeting of the

team assigned to escort the Chinese leader indicated the growing co-operation between the two countries in the oil and jects, worth more than \$300m. ern diplomats.

The accords were signed by Kuwaiti Finance Minister Jas-

gas sectors, according to West-The state-owned Kuwait

The appointment of Kuwait's Oil Minister, Sheik Ali Khalifa

al-Sabah, as the head of the

Petroleum Corp. headed by Sheik All, is currently carrying out exploration work in China.

On the political front, the minister for court affairs, Shelk Khaled al-Ahmed al-Sabah, said that talks between Jaber and Shangkun covered international developments.

French current account deficit narrows slightly

By William Dawkins in Paris

THE FRENCH current account deficit reached a seasonally adjusted FFr8.6bn (£910m) in the third quarter, a slight improvement on the FFr8.7bn shortfall in the previous three months, Finance Ministry esti-mates showed yesterday.

Within that, the surplus on the services account showed a marked rise, helped by the country's successful tourist industry. However, there was still a steep overall deterioration in the current account over the first three quarters.

The cumulative current balance of payments total in the nine months to September reached a deficit of FF77.8m after adjusting for normal month-to-month variations, against a shortfall of FFr2.4bn in the same period of last year. That includes visible and

invisible foreign trade results, plus unilateral transfers such as the repatriation of foreign workers' savings and France's

workers' savings and France's payments to the European Community budget.

In crude unadjusted figures, however, the third quarterly current account deficit showed a sharp reduction to FFrlbn, from FFr6.2bn in the previous three months, or from the FFr2.5bn shortfall shown in the third quarter of 1988. This the third quarter of 1988. This reflects a rise in the cumula-tive surplus on the services account, from an unadjusted FFr25.2bn to FFr43.3bn. Meanwhile, the visible goods

sector, still a worrying feature of the French economy, put in a worse performance, where the unadjusted nine-month def-icit rose from FFr34bn in 1988

Source: (except US) Euroe

Chun to answer misconduct charges in Seoul ing in the southern city of

FORMER President Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corrup-tion and human rights abuses stemming from his seven-year rule, officials said yesterday, AP reports from Seoul

The ruling Democratic Justice Party said the disgraced leader had received a summons to testify on December 31. Chun left office in February 1988 after turning over power to former associate Roh Tae-

woo, who was elected president two months earlier. Chun's predecessor, Choi Kyu-hah, also was expected to testify before the assembly, the ruling party said. Choi, 70, served briefly as a

figurehead president in late 1979. He was succeeded by Chun, who seized power in an internal army coup. Roh and the opposition announced agreement Dec. 15 on the testimony and other measures aimed at resolving

disputes over Chun's rule. South Korean politics have been plagued by public demands to clear the legacy of Chun's authoritarian rule to pave the way for a more open government and greater democratic reforms. Under the accord, former

army general Lee Hui-sung and former defence minister Chung

Ho-yong were expected to resign from politics before

company, and Chung is in the National Assembly. A total of 48 people, includ-ing relatives of Chun's family, have been convicted of corruption and power abuse.

Chun went into rural exile at a remote Buddhist temple in November 1988 after apologising to the nation for misrule and misconduct and surrendering \$24m in unused political Chun was expected to answer questions about human rights abuses, corruption and

He also was expected to have to answer questions about his alleged role in using the military to quell a 1980 civil upris-

misconduct in office.

Kwangju. By official count more than 1,500 were injured and 200 killed. Many critics argue that the uprising, the bloodiest in modern Korean history, was used by Chun and his associates to seize power in the chaotic days that followed the 1979 assassi-

and punished. The main opposition parties have publicly promised not to raise more Chun-related issues once their demands are met. Dissidents have denounced

the agreement as a sell-out.

Nov.'89 118.8 104.7 122.9 113.8 126.4 108.5 116.2 104.3 111.8 101.8 nation of President Park 121.9 113.3 123.9 115.1 110.0 Radicals and dissidents have 128.9 125.2 119.0 staged violent protests to demand that Chun be arrested Sept. 89 Oct. 88 102.1 102.0 100.7 101.5 +1.4

WORLD ECONOMIC INDICATORS **RETAIL PRICES (1985 = 100)** % change over Oct.'89 Sept.'89 Nov.'88 previous year +2.5 +4.6 +3.0 % change over previous year

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Diehards slip away as army fans out

By Judy Dempsey

AFTER days of shooting and the loss of several thousands of slowly asserting its grip on the country. But the victory is far

For the time being, the army, helped by civilian armed-revolutionary committees, has set up road blocks and security checks throughout the coun-

Members of the Securitate, the dreaded and reviled secret police, have already given themselves up in some cities, such as last in the east of the country. As a result, some Romanians are optimistic, but

After 25 years of intense training and indoctrination, the Securitate will remain a force for many more months. No official figures are available as to how many members have given themselves up or have been killed in the fierce street fighting and nobody knows how many cells actually

Mr Ion Vlad, chief of the curitate, who moved over to the National Council of Salva-tion, was asked at the weekend by Romanian television how the Securitate was organised. He shrugged his shoulders and said he did not know.

But it is now emerging that the Securitate was divided into four anti-terrorist units. One of them was under Mr Nicolae Ceausescu, the other under his wife, Elena, and one under his son, Nicu. The other unit was a highly-trained force consisting of around 40,000 men, many of whom were brought up in

ornhanages. In addition, the organisation still retains a vast network of underground passages and safe houses. An engineer who once worked on the monumental Palace of the Republic, Mr Ceausescu's gift to the people to remind them of his immortality, said the palace was spe-cially designed to allow escape routes for the Securitate.

In addition, the Securitate still retains a vast network of underground passages and safe houses

defeated," said a young hotel

And not only in Bucharest, the nerve-centre of the revolution, does the Securitate still operate. Beyond Bucharest, the other nerve-centres are in Timisoara, a short drive from the Yngoslav border, in Arad, just south of the Hungarian border; in Chij, the centre of the Hungarian minority; and in Brasov. The citizens of Timisoara

have been exposed to repeated gunfire and sniper fire, which starts early in the mouning and recurs late in the evening. In Arad, the secret police seem to have gone into hiding. In Cluj, however, the fierce fighting which erupted last Thursday night has quietened down.

But the news from Brasov, home of the country's 200,000 ethnic German minority, is

ernine German minority, is suspiciously quiet.

It was here, in November 1987, that the Securitate mur-dered accres of workers who had demonstrated against the Ceansescu regime. Since then, and up to last weekend, the city had been run like a mini-police state.

police state. The point about these four centres is that they are strate-gically located near border crossing points or else are near the mountains, crucial hide-

outs for the secret police.
Furthermore, even if the army today has almost full control of the country, tomorrow, next week or even next month, these people, mixing with the crowd, may suddenly emerge to drop a grenade in a packed church, just as one Securitate officer tried to do at the weekend at an Orthodox

church in Bucharest. There is one other question sceptical Romanians are asking. When I asked a Romanian diplomat based in Vienna whether a Securitate cell was still in the embassy, he replied: "The day Ceausescu was lifted out on the helicopter, they disappeared. We do not know

East European defence attachés in Bucharest firmly believe that Securitate members who are based abroad, not only in embassies but in for-eign trade organisations, Tarom (the national airline), the tourist agencies and its own intelligence units abroad, are all now waiting. True, their leader has been

killed, no longer issuing orders from his underground bunker. But even had Mr Ceausescu died a natural death, it is becoming increasingly clear that the Securitate would have THE FUTURE

Quartet of leaders faces task of reconstruction

ROMANIA'S provisional Government faces the unhill task of rebuilding the country after a quarter century of eco-nomic, social and political neglect. But its immediate short-term aim will be to restore order as quickly as pos-

This was the message spelt out by the Council for National Salvation, which was set up after Mr Nicolae Ceausescu was ousted from power on Fri-day. The Government rests on three planks: members of the Romanian Communist Party, a cross section of the country's tiny dissident community who for years have suffered under Ceausescu regime, and the

respected man is Mr Ion Illescu, who now heads the Council for National Salvation, Born in 1930, he is the son of a Communist, who was a mem-ber of the illegal Communist movement before the Second

World War. He quickly rose to be chairman of the Romanian students' association, and later secretary of the central committee of the Union of Romanian Working Youth central 1956 to 1960. His career remained untar-

nished during the 1960s when, after working for several years in the central committee, he was appointed first secretary of the Young Communist League and later was made Minister of Youth in 1967.

This was the time when Mr Ceausescu, who had been in power for two years, embarked on a cautious and short-lived programme of liberalisation aimed at wooing the popula-tion, particularly the intellec-

During that period, which lasted until about 1971, Mr Iliescu continued to climb up the party ranks, becoming central committee secretary for propaganda and education from February until July 1971. By then, the "thaw" was over. But despite this, Mr lliescu managed to survive, becoming first secretary of the party organisation in lasi, an important university centre in

the east of the country. He was even appointed a non-voting member of the pow-erful political executive committee (the equivalent of the politiburo) in 1974, later becom-ing a member of the state council in 1979.

It was then that he started to

The fact remains that, several hours after Romanian television broadcast the execution of the Ceauseacus, snipers were still shooting close to my the Moldavia, he was demoted to the National of the National Ceause of the National chairman of the Natio Water Council, during which time he wrote numerous articles implicitly criticising the country's environmental



His final fall from power came in 1987, when unexpect colleagues, he managed to pub-lish in Romania Literara, the weekly publication of the Romanian writers' union, a sophisticated, but none the less scathing, critique of the regime's economic and social

policies In the article, he wrote that "it is necessary to develop effective forms of public control over the factors involved in power and political deci-sion-making processes that, as

Peasants' party Romania's first non-Communist political party since the Communists took over in 1947 terday following the over-throw of Nicolae Ceausescu,

Reuter reports from Bucharest. The National Christian Peas-ant Party aimed to achieve the nation's "moral rehabilitation on a Christian and peasant foundation, which for 2,000 years proved to be the Roma-nian nation's backbone", the Romanian news agency orted.

Committee members included writer Doina Cornea, posts Ion Alexandru, Aurel Dragos Municanu and Marin Sorescu, actor Ion Caramitru, historians Paul Schuster and Alexandru Zub and academic Ion Manzatu, as well as Orthodox Bishop Justinian Maranu-resanu and Roman Catholic Bishop Ioan Robu.

Mr Iliescu, however, will need much support from his other allies. The Number Two, who is now Prime Minister, is Mr Petre Roman. Little is known about him except that he is understood to be the son of ber of the Communist party in the 1950s.

to establish some solid ecopossible and leave defence mat-ters to the new Minister for Defence, Mr Nicolae Militaru.

general in the Romanian army who, during the revolution of Friday and Saturday, quickly moved over to the side of the National Council of Salvation. His main task will be to continue the rooting out of Securi-tate members and to equip the army with modern weapons.

The other most important
man in this quartet is Mr Dumitri Mazilu. He is well known
to the United Nations and to

other Western organisations for his repeated criticism of the for his repeated criticism of the country's human rights record.

Last year he tried to deliver to the United Nations in Geneva a specially drawn up report on the condition of human rights in Romania, He was prevented from doing so, recalled to Romania and placed under 24-hour house arrest, constantly surveyed by two

constantly surveyed by two car-loads of security men.

pulted into power. He will play an important part in re-establishing Romania's relations with foreign countries. More importantly, he will have to act swiftly to set up firm contacts between Western human rights organisations and other Euro-pean countries to re-establish Romania's place in the conti-

it seems optimistic and determined to reassure the popula-tion that it is going to establish order as quickly as possible, has one other factor with which it must contend. This is the future of the Communist

existed as a party. Although it has 3.5m members out of a pop-ulation of 21.5m, the party was always under the thumb of the Securitate. There were no party secretaries, no teachers, no editors, no book publishers, no hotel staff, no managers -the whole broad spectrum of the population involved in the unist party was directed by the Securitate.

In fact, unlike the other Communist countries in East-ern Europe, there was no func-

tiny groups of people in the centre of Bucharest demanding that the party be disbanded completely. In reality, there is no such party, and whether the new leadership will even bother to discuss its leading more important, however, is establishing law and order, an awesome task for this new and



Soldiers and civilians guard Ceausescu's rooms in the Communist Party building in Bucharest

During the riots in Timisoara last Wednesday night, Mr Maziln was taken by the Securitate from his home to barracks south of the city. But he was unexpectedly released, and since then has been cata-

tioning party.

As soon as the new Govern-ment was elected, there were



SOVIET REACTION

Tacit approval for execution

By Quentin Peel In Moscow

THE Soviet Union yesterday appeared to give its tacit approval for the execution of Mr Nicolae Ceausescu, the deposed Romanian dictator, and his wife Elena, just a day after announcing its "unequiv-ocal support" for the National Salvation Front which has assumed power in Bucharest. A Soviet spokesman insisted yesterday that the double exe-cution, after the summary judgment of a military tribu-

nal, "apparently took into account the aspirations and will of the Romanian people". The statement reflected a consistent Soviet determination to do absolutely nothing which could be construed as interference in the popular overthrow of Ceausescu, while

also making clear its political support for the revolution President Mikhail Gorbachev congratulated the new leader, Mr Ion Iliescu, on his election as chairman of the National

Salvation Front. We and our allies unequivocally support the revolutionary renewal, the just struggle of the Romanian people, and the efforts of the National Salvation Front council that has pro-claimed a programme of far-reaching democratic reforms," Mr Ivan Abomov, a Soviet Deputy Foreign Minis-US REACTION

Bush may restore trade privileges

By Nancy Dunne in Washington

US OFFICIALS have moved swiftly to establish diplomatic relations with the new Government of Romania while regret-ting that the trial of Nicolae Ceausescu and his wife was not conducted "in an open and public fashion".

In an official statement, the White House extended its con-gratuations to the National alvation Front and promised its support "as it struggles to achieve its announced democratic values".
The US business community

is also welcoming the new Government and expecting a resumption of trade ties, cut in July 1988, over human rights President Bush may move

quickly to restore Romania's Most Favoured Nation status and its duty-free trade privi-leges under the Generalised System of Preferences. ter, announced in Moscow on Christmas Day. He said a meeting of Warsaw

Pact foreign ministers had been considered by the Soviet bloc allies, and rejected. "In the common conviction of the allied states, the destiny of the country is in the hands of the Romanian people and, despite the bitter resistance of

the forces of totalitarianism, they will win the struggle for freedom and democracy," he Taking this into account the [Warsaw Pact] allies agreed on the advisability of avoiding any collective actions that could remind one of practices of the past."

Yesterday's further state-ment, by Mr Vadim Perfilyev, a Foreign Ministry spokesman, on the execution of the Ceausescus, underlines just how little sympathy the Romanian dictator enjoyed in the Soviet Union. He was always seen as an ideological embarrassment and, since the advent of Mr

Mikhail Gorbachev, as a bla-tant relic of Stalinism. The Soviet Union has been mong the first to rush humanitarian assistance to Romania including preparing 6,000 hos-pital beds to receive injured victims of the fighting, and also making blood transfusion

FRENCH REACTION

services available. Mr Perfilyev said 35 cars with food and medicine had already been sent from the neighbouring republic of Moldavia to Romania. At the same time, 330 Soviet

nationals were being evacuated from Romania, although their train was delayed by broken Tens of thousands of people in Moldavia have been demon-

strating in support of the Romanian revolution in recent days, in an upsurge of national sympathy which has brought with it calls for reunification of the Soviet republic with That remains a key potential

embarrassment for the Soviet authorities arising from the overthrow of President Ceausescu, and a big reason why Mr Gorbachev certainly wants to see the fastest possible return of order in Bucharest.

However, the Moldavian Communist Party, which only weeks ago overthrew its con-servative party leader for a servative party leader for a more progressive figure, Mr Pyotr Luchinsky, has itself sought to identify with the upsurge of national sympathy, calling a special day of volun-tary labour on Christmas Day to contribute to relief in

Paris recognises new **Bucharest Government**

By William Dawkins in Paris

FRANCE gave official recognition to the new Romanian Government over the weekend and mobilised large amounts of medical and food and for the struggling country, in a gesture reflecting wide-spread public sympathy. "The French Government recognises the National Salva-

tion Front as the sole legal anthority in Romania," said a Foreign Ministry statement. Meanwhile, the Government promised assistance to help the country's recovery. "The deep and solid affinities which link us are guarantees of our wish to aid you in your reconstruc-tion," added Mr Roland Dumas, the Foreign Minister, in a message to the Romanian people.

Mr Michel Rocard, the Prime Minister, noted "the courage of the Romanian people, who have overturned a dicatorship under extremely dramatic cir-cumstances." His number two in the Government, Mr Lionel

Jospin, the Education Minister, was the only member of the administration publicly to indi-cate disquiet at the speed and secrecy of the Ceausescus' trial

"Naturally, one always pre-fers trials to be public, but fers trials to be public, but these are tragic events and at the same time full of the hopes now being experienced by the Romanian people," he told French television. Former French President Valery Gis-card d'Estaing criticised the Government for failing in the past to take a tough line against the Ceauseacu regime. Meanwhile, donations flowed in from all over France. The Government opened reception points at all of the country's

1,200 public hospitals.
The aid group Médecins sans Frontières has sent 25 doctors and 38 tonnes of drugs, and another group, Médecins du Monde, has sent 45 tonnes of

How Nicu Ceausescu was seized

A ROMANIAN printer told yesterday how he recognised and arrested Nicu Ceausescu, the deposed President's son, as he tried to flee in a car driven by a heavily-perfumed woman. Reuter reports from Budapest.

Mr Ivan Maru told the Hungariau newspaper Nepszabad-sag that he overpowered Nicu, a notorious playboy, and took him to the television centre,

where he appeared on camera looking dazed and bruised. Mr Maru sald he had been checking cars near Bucharest's Baneasa domestic airport on Friday with a group of vigilan-tes. "I saw a metallic-coloured Oltcit (Romanian-made car) approaching. We forced it to slow down and stop. Pour of us surrounded it and one of my buddies told the driver to identify herself," he told the

He said he noticed the car's registration number started with 4B, which he had heard meant it belonged to the Securitate secret police. "A very elegani woman was

driving the car. The scent of fine perfume powred out of the car when she pulled down the "Her papers were in order,

but we saw that a man was sitting behind, his cap completely pulled down. We could Mr Maru said they asked her who he was and she replied:

"He is my lover."
"I reached in and pulled off his cap. I saw it was Nicu. He got out and pretended to search for his papers. Then suddenly he ran away. I ran after him and jumped on him."
Mr Maru said he radioed for an army car to take Nicu, despised party leader in the city of Sibiu, to the television headquarters.

Olive branch from Hungary

The new Romanian Government was keen to resolve old differences with Hungary and hostility between the two countries was over for good, Hungarian Foreign Min-ister Gyula Horn said yester-day, Reuter reports from Buda-

Ties between the two War-saw Pact allies have been strained recently, particularly over Mr Ceausescu's treatment of Romania's big ethnic Hungarian minority. Hungary has already organ-ised aid for its neighbour.

THE MILITARY Tension between Securitate and army is likely to remain

Jonathan Eyal explains why Romania's security forces may have difficulty in coming to terms with a new era

torship but the conflict between the armed forces and the hated Securitate is likely to rumble on, for it is based on a traditional competition for resources and influence within

he country. It is apparent that, although the Securitate has been annihilated as an organisation its agents will con-tinue to provide the army with a persistent challenge. After the summary execution of President Ceaucescu and his wife members of this organisation are unlikely to expect much mercy from the Romanians, some would try to escape from the country while others are already hiding in the Carpathian mountains. The number of violations of Hun-

garian territory and air space has risen sharply in the last few days, prompting a general state of alert at Hungary's frontiers. Isolated clashes between the Securitate and the army can therefore be expected for many

months to come.

Yet, Romania's military will also have a much more crucial role in the country's internal politics. For almost a quarter of a century, Ceau-

HE bitter week-long fighting sescu controlled his instruments of in Romania may have sealed the fate of Ceaucescu's dictafrom this policy while the army was starved of funds and forced to take part in Ceaucescu's vast construc-

tion projects.
In effect, the army was treated as a source of cheap labour and its victory over a much pampered Securitate was therefore particularly sweet. Indeed, the army has caused more than just a victory in one battle; by its behaviour during the last week it has also been transformed into a genuine national force. Thus alone among the East European military the Romanian armed forces tary, the Romanian armed forces have shaken off the taint of association with the Communist Party.

There is little doubt that the military will seek to build upon this advantage. For this reason alone, closer military co-operation with other Warsaw Pact states is unlikely to be a military priority; instead Romanian generals will probably seek additional state funds partly in order to replace equipment destroyed during the recent fighting and partly in order to make up for years of neglect. The current favour-able image of the Romanian military

would also shield them from the effects of any political reforms. Thus, for instance, there is little likelihood that a democratic govern-ment elected after the April elections will seek to impose a civilian minister on the army. Nor is it very likely that Romania's defence budget will be reduced by much. The most crucial question is that

of the military's involvement in this political succession. Although Romania has no tradition of direct military interference with the civilian government, it has a great experience with military influence on political administrations.

The Council of National Salvation which currently runs Romania is well aware of its dependence on the armed forces, but seems to believe that this dependence cannot be reduced in the near future. Its most progressive members, however, are clearly hoping that by appointing professional soldiers to comman positions (rather than party officials in uniform) this influence could at

least be kept in check.

The freshly appointed leadership of the Defence Ministry bears testimony of this fact. The new Defence Minister is General Nikolai Militaru.

Although Gen Militaru was a candidate member of the Romanian Communist Party's Central Committee at the end of the 1960s, he seems to have concentrated on strictly military commands, such as that of the Second army and Bucharest.

Gen Militaru is assisted by two deputies. The first is Gen Gusa, the armed forces' chief of staff since 1986. He is certainly politically vulnerable because of his former association with both Ceaucescu and his Communist Party.

evertheless, Gen Gusa's adroit handling of the army's deployment in the last few days and his apparently committed effort to defeat Gen Ceaucescu's forces seems to have secured his position, at least for the time being. The Defence Minister's other

deputy Gen Stanculescu, is particu-larly interesting.

An artillery soldier by training,
Gen Stanculescu already served as
Deputy Defence Minister in 1981. However, since 1985 he was responsible for Romania's arms industry, an extensive production network developed during the 1970s with Ceaucescu's personal encouragement. His

presence at the new Defence Ministry is probably an indication that the arms industry would continue to be promoted, partly because the Romanian military regards an indigenous arms supply as the best guarantee of the country's relative independence within the Warsaw Pact, and partly because the industry remains a valuable source of hard currency revenues. However, Romania's military clients are likely to change from Ceaucescu's preferred shady deals with Arab and African dictators to more open contracts with other countries. The new Romanian political leadership would probably

encourage this diversification.
Ultimately, the attitude of the military towards its future political masters would be dictated by two major factors: the nature of the country's political parties and the evolution of ethnic minorities.

The military is unlikely to be con-cerned very much with the resurrec-tion of the Communist Party, for this party is perceived by most Romanians as synonymous with Ceancescu's rule and by most sol-diers as a reminder of a complete

neglect of their profession.
The Romanian officers, shielded

from most co-operation with the Soviet Union and other Warsaw Pact states for years, are also unlikely to find such a transfer of allegiance from Communism to other political groupings very difficult. However, the attitude of the military towards the current political process in Romania would change radically should political parties prove unable to develop a countrywide stable structure or should Romania's eth-nic minorities — especially the two million strong Hungarians —

become too assertive.

For the moment, the omens are good: Gen Stanculescu has established good relations with the Hungarian military during his private visit to Budapest in the summer of this year. The first indications of the role of the military in Romanian society will come very soon.

The present provisional govern-ment in which the military take part will prepare the country for general elections. It will be during this period of preparation when it will become clear whether the military have merely swopped loyalty or have actually changed their minds. Dr Eyol is Assistant Director of Royal United Services Institute, Whitehall.

OVERSEAS NEWS

Japanese surplus falls 'are key to market stability'

By lan Rodger in Tokyo

FRESH DISRUPTIONS of international financial markets, similar to Black Monday in October, 1987, could occur unless Japan continues to reduce its current account surpluses, the Organisation of Economic Co-operation and Development has warned in its latest annual survey on the

Japanese economy.

The Japanese current external surplus needs to be seen as part of an international pattern of surpluses and deficits, a pattern which — if it coulinged tern which - if it continued for a prolonged period - might lead to cumulative positions that could engender financial market disruption," the report says in its concluding section. Despite this stern warning, the OECD gives the Japanese authorities high marks for the progress they have made in restructuring the economy away from dependence on exports in the past few years, and for the reductions to date in the country's surpluses in in the country's surpluses in terms of gross national prod-

But it is worried that the substantial progress this year has been due to some extent by the unexpected weakening of the yen and it fears that the weaker yen "may jeopardise further external adjustment in

the medium run".

The survey observes that the Japanese economy is performing extremely well, with new peaks in capacity utilisation being achieved this year leading to low unemployment and a high rate of business investcasting that the economy will grow 4.5 per cent in real terms in 1990, and a further 4.3 per cent in 1991

The one concern on the economic front, apart from exter-nal balances, is that labour shortages could cause the inflation rate to rise. The Govern-ment's draft 1990-91 budget, published on Sunday, seemed to be in line with the OECD's view that, given the strength of private sector demand, "a broadly neutral stance of fiscal policy" would be appropriate. Similarly, the Bank of Japan's 0.5 per cent discount rate se on Monday was con-

ture of manufacturing industries towards higher value added products3. It acknowledges that aggressive competition by Japanese companies and the relative

Japan: Export structure

Per cent of total exports (values)

concentration of Japanese exports on a limited number of products has resulted in trade friction. However, it notes that export volumes have stagnated in response to the substantial appreciation of the yen since

The OECD gives the Japanese authorities high marks for restructuring the country's economy away from dependence on exports

sistent with the OECD's recom-mendation that any further weakening of the exchange rate should be resisted. The OECD has devoted con-

siderable space in this report to analysing Japan's trade behaviour and has found genbehaviour and has found gen-erally that the country has been moving rapidly to open markets and ease regulations. It points out that the country's exceptional export perfor-mance over the years has been supported by "strong price competitiveness, high quality of its products and an outof its products and an outstanding ability to adapt to changes in world demand and

1985 and have been gradually replaced by output from over-seas production facilities.

The survey examines in detail the controversial issue of Japan's relatively low level of imports but finds no conclusive evidence that it is the result of exceptional protec-

Still, as the report puts it. "It is a political fact that the persistence of the large current external surplus causes considerable trade frictions and risks provoking protectionist meares in other countries." The OECD seems particularly upset about proposals that Japan set official targets for its current surplus or for shares of foreign

suppliers in its markets, call ing this "a dangerous prescription" that should be "strongly

As Japan depends heavily on the continuation of a liberal world trading system, the OECD suggests that it "should be one of the countries taking the lead when it comes to rolling back barriers to the international movement of goods and services".

goods and services".

The OECD's other complaint is that the standard of living of the Japanese people is still low in comparison to the country's high per capita income, and it urges the Government to take action to reduce working hours and to eliminate a plethora of outdated laws, regulations and taxes that make many goods and services, including land, unnecessarily expensive.

"Japan's GNP per head is the fifth highest in the OECD when measured at current exchange rates, but valuing it on a purchasing power parity basis puts Japan in only the tenth position. It would therefore be opportune for Japanese

fore be opportune for Japanese living standards to be brought more closely into line with the nation's productivity," the sur-

vey says. It points out that many of the measures that would improve living standards would also contribute to reducing the trade and current

Next year's **budget** takes shape

By Robert Thomson in Tokyo

JAPANESE GOVERNMENT ministers are due to meet today to discuss revisions to the draft of the 1990-1991 bud-get, which is designed to maintain the country's present

growth cycle without over-stimulating the economy.

The Ministry of Finance draft provides for a Y66,273bn (£287bn) budget, which, in raw terms, is a 9.7 per cent increase over the present fiscal year, although that calculation does not take into account a supplenot take into account a supplementary budget this year which has lifted total expenditure slightly above the draft figure for next year.

A sign that the Government is concerned about potential

overheating is the marginal 0.3 per cent increase in public works spending, which it has previously used to stimulate economic growth. It is widely believed that if the economy does show signs of slowing, the Government will be tempted to draft a new public works pack-age to maintain growth.

Defence spending is to increase by 5.5 per cent, although the final figure is, for the first time in four years, likely to fall below 1 per cent of gross national product. The defence budget is a sensitive issue among Japan's neigh-bours, which have criticised allocations above the 1 per

The budget provides for a 5.9 per cent increase in aid to developing nations and inter-national aid organisations, which will make Japan the world's leading donor on a dol-lar basis for a third successive

In producing the draft, which comes less than two months before a general election, the ministry has generally resisted the temptations of pre-election handouts, although it did allow for a 6.2 per cent increase in social wel-fare spending and a larg-

ting further acquisitions. Expansion of the taxi operaer-than-expected rise in allo-cations for new railway lines. tion - which makes the rival cations for new rangway mes.
The budget, reflecting government concern about the
level of public debt, does not
include the use of deficit-finanto the Carbodies of Coventry FX4 London black cab - comes after the move of the Metrocab manufacturing operation from Birmingham to Reliant's base cing bonds for the first time in years, and allocates in Tamworth, Staffordshire. Y14,290bn, or 21 per cent of expenditure and a 22.5 per cent It bought the taxi operation from the Laird group for £4m a increase on last year, for the servicing of outstanding govfew months ago. Output is to be raised from 10 to 25 vehicles

Conscious that the coming year could be marked by increasing trade tension, the Ministry of International Trade and Industry (Miti) is negotia-ting a revision of the Y2.2bn set aside for import promotion, and would like Y2.3bn more. Negotiations by various min-istries over budget allocations are expected to be completed by Friday, and a revised draft is expected to be presented to the cabinet at the weekend. The official Economic Planning Agency predicted at the weekend that the economy

be around 4.5 per cent.

would show 4 per cent real growth next fiscal year, down slightly on its 4.6 per cent estimate for this year. However, most private economists believe growth next year will

car, was the subject of a ing companies this year.

Mr Carl Turpin, the new chief executive, says that he intends to turn Reliant into a broadly based industrial and

production of the Metrocab taxi in January. Reliant is creating about 100 jobs, representing a 20 per cent ncrease in the workforce. It is also diversifying into property group which will be capitalised at £100m by the end marine products and industrial engines.
The company is investiga-

RELIANT, the UK vehicles and pointing sales of its SS1 sports

Reliant already produced Metrocab's plastic composite body for Laird. with the annual black-taxi market in the UK standing at 3,000 to 4,000 units, Reliant is understood to believe it could

soon sell at least 1,000 Metrocabs a year.
The Metrocab also lends itself to frequent redesign

because of the low tooling costs for its plastic body. Previously unavailable taxi features such as air conditioning may be on offer, which may boost Metrocab's slice of able to Carbodies' traditional business. price."

Japanese manufacturers but, says Mr Turpin, "we will be able to beat the Japanese on Reliant, faced with falling three-wheeler sales and disap-Car makers fear slowdown in sales

It expects the market to

cars. was more pessimistic, predicting that new car sales would The SMMT said the continu-

ing high level of interest rates would make it more expensive to buy new cars through hire

General pressure on dispos-

fewer people would be able to afford or would be willing to buy new cars. Glass said there would still be strong demand for used

Consumers were more likely to opt for "value for money" in their choice of a used car, rather than to buy on the basis

However, the SMMT also said: "We all forecast a drop in sales for each of the last three years. Each time we had a

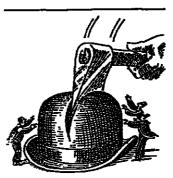
UK NEWS

Companies House risks shake-up

Hazel Duffy continues her series on Civil Service commercialisation



Stephen Curtis: has tried to make the organisation more responsive to its "cu



CIVIL SERVICE

The compliance rate today is nearly double. By 1991 it must be 83 per cent, if Companies House is to reach the "stretch-ing targets" — in Lord Young's words - set for it by the Government last March. Mr Curtis's successor must also cut the time taken to process documents by 20 per cent, so that they will be available to the public within 18 working days of receipt. Productivity must be increased by 12 per cent, real unit costs reduced by 7 per cent. Publication of targets, and measurement of the suc-cess in keeping to them, is the one Next Steps innovation that might mean something to the

train many more steps towards making Companies House more responsive to its "cus-tomers." Staff in the section helping the public now wear a miform, for instance. Docu-ments can be delivered to com-panies by fax. Satellite offices are being opened in Manches-ter, Leeds, Birmingham and

ter, Leeds, Birmingham and Glasgow.

Next year, documents that are already partly completed from information filed with Companies House will be sent out in place of the annual return forms, so that they can then be simply confirmed or amended by the company.

A register of all company directors and secretaries is being developed which will enable searchers to identify all the directorships held by an

the directorships held by an

Research into the possibility of storing 400m pages of infor-mation on optical discs is going on in Cardiff. If the experiment is successful, information could be made available to searchers via computer

Agencies are bringing home the harder aspects of being managers, as well as the bou-quets. Mr Curtis switched to recruiting some staff, inste of relying on the DTI - "it is very much quicker" - but he has also had to contend with

The vote went against a strike but it was a sobering experience for the statistician

threed manager.

The chief executive gats a salary of less than 249,000, although the agency has brought him the chance to earn an undisclosed bonus. Staff will also share in a bonus scheme if targets are met, although the amounts will be

Trading fund status will sharpen up the disciplines and freedoms that are beginning to take shape in Cardiff. The chief executive will be able to carry over money from one year to the next, for instance, as well as to juggle between pots for staff pay and accommodation costs, for instance, during the

In a relatively distinct and small business, like Companies House, which earns money from fees, and covers its costs, the agency model has probably the best chance of changing the face that the Civil Service presents to the public. Whether it makes much difference for the staff, as opposed to the small number of people at the top, remains to be

Further articles in the series will appear on the UK pages.

North Sea

drilling

record is

forecast

By Maurice Samuelson

DRILLING for oil and gas in

the UK sector of the North Sea

is expected to reach record lev-

review of offshore exploration published this week by James

Capel, the London stockbro-

It says the industry antici-

1

pates that oil prices will stay around \$18 a barrel. The 1990

drilling programme will also be stimulated by new acreage awards and the need for com-

panies awarded licences in the ninth licensing round to start

exploration by the middle of

Rover sets up schools link to promote engineering

By Richard Tomkins, Midlands Correspondent

ROVER GROUP, the carmaking subsidiary of British Aerospace, will forge stronger links with schools to attempt to counter the shortage of youngsters going into engi-

OMPANIES House, which documents all

company returns, will be one of the first of the new Next Steps agencies to be put on a more commercial footing after the recent introduction of the Government Trading Bill

The bill is to extend trading

fund status to more sections of

A fund provides a financing

framework that distances the body from the day-to-day finan-cial controls by Whitehall that

cover the vast majority of the

Licensing office when it becomes another Next Steps

agency - the name given to the new agencies under the

It is a little over a year since Companies House became the

second Next Steps agency. The event took Lord Young, then Trade and Industry Secretary, to Cardiff, the main offices of

Companies House. The staff looked slightly bemused at the time; it was hard to know what

changes an agency would

bring.
Since then, they have had a fleeting visit from Mrs Thatcher, hosts of visitors from other parts of the British

Civil Service and from over-

seas bureaucracies, all eager to learn if agencies are the

answer to the question of how to improve public services without pushing up costs. Basic facts about all British

companies must be registered regularly with Companies

House. That has been the law since 1844, when the registra-tion offices were in Somerset

House in the Strand. The main

part of the office moved from the less salubrious City Road

The Government's regula-tion of the corporate sector

depends on up-to-date files on

those facts. However, a report by the Commons Public Accounts Committee in 1984

found that only 40 per cent of

companies were complying with the law.

offices to Cardiff in 1976.

civil service.

The Rover Group Education Partnership has been launched in order to stimulate pupils' interest in manufacturing and prepare them for jobs in engineering.

Rover, which employs 40,000 people, takes on 400 school leavers a year, and the programme is partly intended to satisfy the group's own recruit-Mr George Simpson, the managing director of the

group, commented: "It's just as much a part of our investment in the future as spending hil-lions of pounds on high tech-nology and new model develop-The company also sees the develop a network of Rover programme as fulfilling a partnership schools around

By John Griffiths

plastics group, has started an

expansion programme that includes more than doubling

wider responsibility towards the community, improving the quality of the workforce for all employers.
The programme will extend

a series of informal links that Individual Rover plants and nearby schools over the last 10

It will set up enterprise centres at the Longbridge plant in Birmingham, the Cowley plant in Oxford, the Canley head-quarters in Coventry, the Land Rover plant in Solihull, near Birmingham, and the body pressings plant in Swindon,

Those centres will act as a focal point for partnership programme activity - training teachers on secondment, running work experience courses, and training Rover staff who have become school governors. The programme will also

Reliant will double taxi output

In some cases, Rover will pay for special facilities in schools to help to train children in such topics as technology and business skills.
The first of these "Rover

each plant, which will have a

high content of work-related activities across the curricu-

lum, and Saturday morning

skill learning clubs for pupils

will be organised at the

Rooms" - a careers centre costing £5,000 - has just opened at Banbury School in

Oxfordshire. A design and technology centre is in preparation at Shanley Court Com-prehensive School in Birming-ham, and a third will soon be established at a school in Swin-

The partnership will also develop teaching support material for schools across the country and introduce an award scheme for the best

Reliant will soon start an

perating on a trial basis in

export drive.
A fleet of 80 Metrocabs is

Sydney.

A left-hand-drive version of

the Metrocab is being devel-

oped at a research and develop-ment facility recently opened

ment facility recently opened by the company at Tamworth. Meanwhile, Reliant has developed a marine version of the engine used in its Rialto three-wheeler, for use in boats and a two-seater water "motor-cycle," which it is to manufac-ture after the acquisition of Jetwaye. a maker of motorised

Jetwave, a maker of motorised surfloards.

90-strong network of dealers in Europe to handle its marine

products, which will be 100 per cent British.

The sector is dominated by

Mr Turpin says Reliant has a

the year. After analysing the forecasts of 35 operators, Capel concludes that 330 exploration and appraisal wells will be drilled in 1990, more than 70 per cent in the UK sector. BP will be the UK's busiest driller, while Norsk Hydro will be Norway's. In Norway, production might

rise in 1990 by around 16 per cent if the authorities in Oslo do not implement a 7.5 per cent restraint on output, says a separate report by County Nat-West WoodMac, the Edinburgh stockbrokers.

WoodMac has also upgraded the estimated reserves in Norway's producing oilfields by 400m barrels, or about 8 per cent. At the same time, the Norwegian of industry is cutting its capital and operating costs and increasing produc-tion of oil and natural gas

The 7.5 per cent restraint on production, which was last applied to the second half of 1989, was intended to help stabilise world oil prices. Analysts believe, however, that it may now be discontinued.

Doctors protest over excess hours

JUNIOR DOCTORS camped for 24 hours on pavements outside hospitals around Britain yes terday in a renewed campaign over their working hours. The British Medical Association's hospital junior staff committee, which represents 28,000 junior doctors, said the average duty hours were 82 a week, while 140-hour weeks had been worked. It wants a maximum

suffered as a result of doctors' long hours,

It said: "Tired doctors cannot treat patients to the best of their ability and run the risk of making mistakes, as well as becoming irritable with patients and relatives who

By Alice Rawethorn

THE British car market, which was buoyant through 1989, will slow down next year as the squeeze on consumer spending and high interest rates increases consumers' caution about spending money on new cars, according to the Society of Motor Manufacturers and

This year has seen seven monthly sales records set, and the society estimates that the total number of new cars sold during the year reached a weaken in 1990, with overall new car sales falling to between 2.1m and 2.2m. Glass's Guide, recognised as the "bible" of the motor trade,

he as low as 2m.

able incomes would mean that

72-hour week.
The BMA said that patients

need a sympathetic ear."

Protests took place in Lon-don, Birmingham, Edinburgh, Bristol and Newcastle.

relative prices by transforming Big domestic market, not barriers, keeps imports low

Ian Rodger looks at the OECD survey of Japan HE PERSISTENCE of Japan's large trade sur-plus is undoubtedly one of the main reasons for a resurgence of accusations, especially from the US, that the country's

markets remain largely closed There is no doubt that Japan's import propensity is much lower than that of most OECD countries. In a special section on this controversial subject, the OECD's 1988-89 Economic Survey on Japan shows that the country's manonly 28 per cent of GDP in

1987, compared with 7.5 per cent in the US and 14.8 per cent in West Germany. Nevertheless, the survey concludes that "there is little evidence in general to support the contention that import impediments (either formal or informal) imposed by the Government are a decisive factor". It suggests that "the abundance of human capital (both workers' skills and diligence) relative to natural resource

the relative paucity of manufactured imports. It says that some business practices, notably the preference of companies for long-term trading relationships, make it difficult for new companies both foreign and Japanese, to enter some sec-tors, but this has been one of the contributing factors to the economy's efficiency.

endowment" partly explains

The survey points to three special factors affecting Japan's import behaviour: • The country has a large unified domestic market with a per capita income among the highest in the world. As a rule, the larger the domestic market, the smaller the import/ GNP ratio.

Japan's isolation inhibits

imports, especially of manufactured goods. New Zealand and Australia show similarly abnormally low import ratios.

The fact that Japan has few resources other than its human capital leads it naturally to outperform others in sophisti-cated manufacturing indus-

The report cites a number of recent academic studies of the Japanese import issue, but observes that the results differ widely, depending on the assumptions made and method used, and so no clear conclusion can be drawn. It then examines Japan's

barriers to imports, discover-ing that tariff rates on industrial products average 2.6 per cent, which is lower than that in both the US and the EC. Also, in non-tariff barriers, a recent study by the World Bank found that the overall extent of non-tariff barriers in Japan is similar to that in the US, although the coverage is larger in agriculture and food in Japan and wider in manufacturing in the US.

Similarly, the Japanese Government's use of subsidies is not badly out of line. In 1987, the ratio of subsidies to GNP was 1 per cent compared with 0.7 per cent in the US and 2.7 per cent in OECD Europe. In

There have been problems in the vague area of informal import barriers, such as government procurement practices that lack transparency, unnecessarily complicated standards and certification procedures, differences in legal frame-

works, differences in the appli-cation of patent law and regulations that protect sm

However, many of the colaints in these areas ha been dealt with in the Mari

manufacturing industries, sub-sidy levels were about the same in the US and Japan.

these long-term sub-contracting practices are becoming more popular in other countries, "and their prominence in Japan marks a quantitative rather than a qualitative difference compared to inter-industry relationships in other coun-

Complaints about purchasing preference being given to members of Keiretsu (big mul-

om- ave ket-	such as Mitsui and Mitsubish are also considered to be rela- tively unimportant. The survey points to a repor- of the Fair Trade Commission
	PECTS FOR JAPAN

Demand and Culput				
Private consumption	5.0	2.8	3.7	3.8
Government consumption	2.2	20	1.6	1.6
Gross Fixed Investment	13.4	11.1	6.5	4.8
Public	6.6	0.2	1.5	1.5
Private residential	13.4	1.1	2.3	2,9
Private non-residential	16.0	18.0	9.1	6.2
Final domestic demand	7.5	5.7	4.6	4.0
Stockbuilding	0.2	0.0	0.1	0.0
Total domestic demand	7.7	5.6	4.6	4.0
Exports of goods and services	8.1	14.1	9.6	9.2
imports of goods and services	21.3	19.0	9.9	8.0
Foreign balance*	-1.9	8.0-	-0.1	-0.2
GNP at market prices	5.7	4.8	4.5	4.3
GNP deflator	0.4	1.3	26	25

Balance of Payment Exports (Sbn) Imports (Sbn) Trade balance (Sbn) 275 190 85 61 2.1 213 86 61 Current account balance Some business practices, notably the preference of companies for long-term trading relationships, make it difficult for new companies, both

foreign and Japanese, to enter some sectors,

but this has been one of the contributing

factors to the economy's efficiency

Oriented Sector Selective (MOSS) negotiations between Japan and the US between 1985 and 1987. Also, as a result of the Japanese Government's action programmes in the early 1980s to promote imports, standards and certification systems for many products, including drugs, cars, telecommunica-tions equipment and farm machinery, were simplified. Another area of concern to foreigners has been Japan's unusual business practices. These are more difficult to change, especially the practice of "repetitive trading" with suppliers through "sub-con-tracting", a form of implicit

long-term contracts between companies. According to Japan's Fair Trade Commission, 80 per cent of capital goods purchases by all firms were of a repetitive nature. The survey suggests that this system has several advantages - eliminating the costs of frequent price negotiation, permitting tighter inventory management and contributing to joint efforts to improve quality. At the same time, it main-

from competitive pressures compared with in-house production. The survey observes that

tains_some of the important

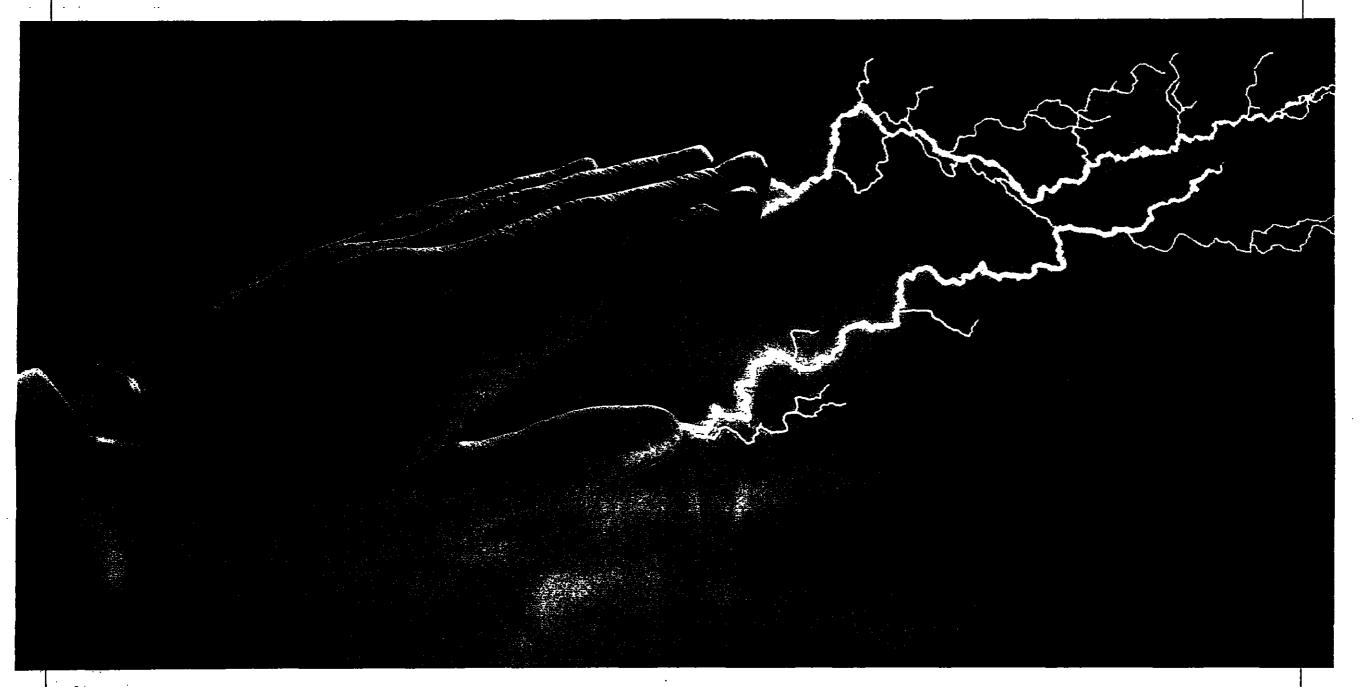
benefits of efficiency gains

in 1988 which found that the share of intra-group trading transactions of companies in the six largest Kelretsu accounted for 10 per cent (excluding financial transac-tions) of their total sales. The Commission also found that the choice of important capital goods purchased is little affected by Keiretsu membership, but certain standardised services such as non-life insur-

ance or pension fund manage-ment tend to be provided by financial institutions within the group.
Other obstacles to foreigners in Japan's business culture include the tradition of business-related companies holding large amounts of each others' shares, a practice which pre-vents hostile takeovers. However, the report notes that the number of mergers and acqui-sitions in Japan rose 60 per cent from 1984 to 1988 to 240

cases and that they have become socially acceptable.
The domestic retail networks, especially those for household appliances and passenger cars, have been largely controlled by manufacturers, a system which prevents the entry of newcomers. However, the increasing number of independent discount stores has gradually changed this pattern.

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FINANCIAL TIMES

House price slide likely to persist during 1990

By Alice Rawsthorn

THE sluggish housing market is set for a further slump next year, but should experience a according to a new survey from the Halifax Building Society, Britain's biggest home mortgage finance organisa-

tion.

The Halifax predicts house prices will fall by 10 per cent in 1990 because of the continuing problems posed by high interest rates.

The housing market has

The housing market has been depressed – especially in affluent areas such as the south-east of England where mortgages tend to be higher – since the spring. Property prices have fallen and many people have struggled to sell their houses.

The Halifax said the chief reason for the slump was that the increase in interest rates meant property had become too expensive for many people. But the market was adjusting and property prices were falling to more accessible levels.

Once prices have fallen far enough, the market should recover. The Halifax expected property prices to strengthen

recover. The Halifax expected property prices to strengthen in the medium term because of healthy demand, tighter controls over the supply of land and a shortage of new homes.

Another building society, the Woolwich, recently predicted a property boom in the 1990s in which the average price of a house would rise from £58,000 to £200,000 by the end of the century.

The Halifax was convinced that the long term trend towards home ownership would continue.

would continue. It expected the growth in the proportion of households owned by the 30-59 age group to counter the reduction in the number of young households. It forecast that three quarters of the population would own-their own homes by the end of

the century.

In the meantime, according to the Halifax, housing would be a buyers' market. Weak demand, falling prices and a dearth of competition from other would be bargains about for those people that are able: for those people that are able to afford a new home.

Defence groups slow to react to Europe's changes, union says

By Michael Smith, Labour Correspondent

BRITISH DEFENCE companies BRITISH DEFENCE companies lag behind their competitors in developing the alternative products needed to preserve jobs in the face of political change in east Europe, a trade union leader said yesterday. Mr Jack Dromey, national Mr Jack Dromey, national secretary of the Transport and General Workers Union (TGWU), Britain's biggest union, said hundreds of thousands of jobs would be lost unless British companies set up alternative products units along the lines of that established by MBB in West Germany.

many. The MBB unit employed 200, said Mr Dromey, but British companies did not have comparable operations.
Mr Dromey was speaking as



Jack Dromey, TGWU secretary his union and the five others

defence companies launched a campaign to persuade UK defence companies to diversify and the Government to help them to do so. A NEW grade of chambermaid who checks her own work has been introduced by Commonwealth Hotels International, the UK operator of the Holiday Inn franchise, as part of an effort to improve labour productivity

Mr Dromey said the TGWU welcomed the opportunities opening up for peace and international co-operation as a result of the changes in Europe.

However, well over 1m peo-ple depended on the arms industry in Britain for their

"There will always be arms factories but on a greatly reduced scale in future," he said. Failure to plan now will see at least one in three lose their jobs in the next decade of

by training "self-checking maids" to oversee their own cleaning of rooms. A comparative study of hotel worker productivity in West Germany published by the National Institute for Economic and Social Research last month concluded that better work organisation in German hotels raised productivity. The study concluded that housekeeping supervisors in medium-sized British hotels were occupied mainly with

were occupied mainly with detailed supervision of maids' work, while their German

Hotel chain

introduces

the labour.

By John Gapper, Labour Editor

saving maid

A NEW grade of chambermaid

ductivity.

The hotel chain has reduced

the number of housekeeping supervisors it needs to employ by training "self-checking

work, while their termine counterparts had a more stra-tegic role.

Commonwealth Hotels, which runs 11 Holiday Inns in Britain, has eliminated super-visors entirely at its new hotel in Swansea, which it has designed to improve labour tenductivity.

practice was more important than a declared policy on productivity.

At Swansea in Wales, its maids are under the control of a single housekeeper. The company would traditionally have employed a housekeeper, an assistant and one or two supervisors to monitor maids? The tribunal went on to find that Mr Cregan had, indeed, In the 22 cases dealt with together earlier in the year, BT argued successfully that the

work in its larger hotels.

The new grade of maid is paid about 10 per cent more than the traditional worker.

than the traditional worker. The company says it passes on most running labour cost savings, while benefiting from reductions in fixed costs such as national insurance.

Mr Jan Hubrecht, operations director, said one of the aims of the reorganisation of maids' work was to increase their involvement in the job by giving them greater responsibiliing them greater responsibil-ity, while reducing manage-ment hierarchies.

The company has also started to introduce quality circles – groups of different grades of workers which discuss ways of improving work organisation – at its hotels.

Tribunal rules British Telecom guilty of unfairly retiring an employee at 60 the whole of the UK, which demonstrated that the contrac-tual retirement age within BT was commonly ignored and workers carried on beyond the age of 60. What happened in AN INDUSTRIAL tribunal has The tribunal decision follows BT's success, however, on the

ruled that British Telecom is guilty of unfair dismissal by retiring a person at 60, the normal retiring age at the com-pany. It is the latest in a series of tribunal cases relating to BT workers who were over the

retirement age.

The wrangle about the dismissal of older workers between BT and the NCU, the trade union representing engineers, has implications for other organisations, particularly those that offer pensions to workers who are below the statutory retirement age. Civil Service and ex-Civil

Service organisations, in par-

same issue in another 22 cases that were brought together before one tribunal earlier this year. The NCU is backing an appeal which it expects will be heard next March. In the latest case, an indus-trial tribunal in Belfast ruled that Mr Patsy Cregan, 60, was protected by law against unfair

dismissal. dismissal.

BT had argued that he did not have protection because it has a declared policy of retiring workers at 60.

The tribunal's decision hinged on statistics, relating to

organisation was a collection of separate undertakings and so national statistics on retire-ment age were not significant.

Rail and sea unions to vote on merger

By Flona Thompson, Labour Staff

MEMBERS of the National Union of Railwaymen and the National Union of Seamen will from next week be balloted on the merger of their two unions. They will be asked to approve the new rule book and constitution of the merged union, which will be called the

National Union of Rail, Mari-time and Transport Workers and known as RMT

six and eight weeks, because many NUS members will be away at sea, and the unions expect that the formal merger will take place in April or May. Mr Jimmy Knapp, general secretary of the NUR, will take the same role in RMT. Mr Sam McCluskie, present general sec-retary of the NUS, will be RMT's executive officer and

will deputise for Mr Knapp. There will be three assistant

The new union will have 137,000 members, made up of the NUR's 115,000 and the NUS's 22,000. The NUR has a full-time

retirement age.

been unfairly dismissed.

executive, whereas the NUS's is part-time, but has been carrying out a reorganisation since the recommendations in April 1988 by academics at Warwick University after a year-long inquiry.

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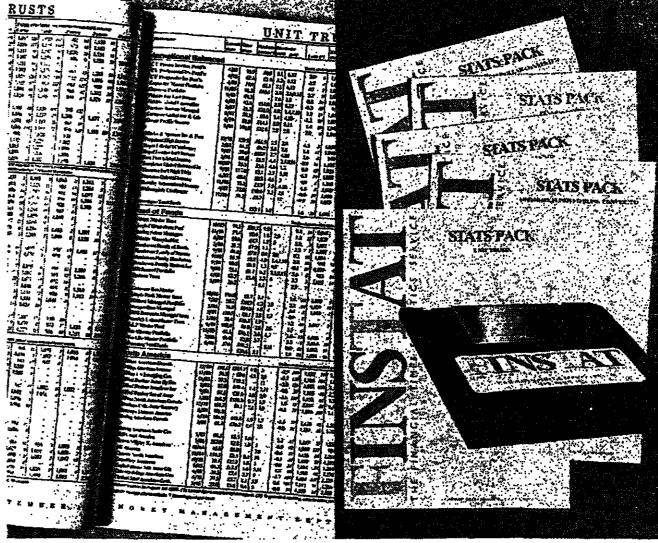
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February 4-8

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February 7-9

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February 13-15

February 14-16

February 20-22

Construction Industry Computer Exhibition (01-251 5885)

International Spring fair

Undersea Defence Technology Conference and Exhibition

February 7-11 Scottish Boat, Caravan, Camp-

ing and Leisure Show (041-221 1769)

Corporate Computer Security '90 International Exhibition

The Property Business +

London Food Exhibition (01-486

Enterprise 3 (01-834 1717)

Novotel, Hammersmith

Barbican, London

Wembley Centre

and Conference (0733 60535)

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International Lightshow Exhibition (0588 4658) Olympia January 10-12

Supercomputing Exhibition and Conference SUPERCOM-PUTING EUROPE (01-948 5166) January 12-14 British Horse and Rider Show

(01-834 1717) **Wembley Centre** January 13-18 International Toy Fair (01-226

January 18-21 Antiques Fair (04447 2514) Kensington Town Hall January 22-27

International Hotel and Cater-ing Exhibition - HOTELYMPIA (01 948 9900) Olympia Enterprise Exhibition (01-642

Barbican, London January 27-31 British International Toy and

Overseas exhibitions

January 8-11 International Hotel, Restaurant and Catering Industries Trade Fair - HORECAVA (01-495 7977) Amsterdam

January 10-13 International Home and Household Textiles Trade Fair -HEIMTEXTIL (01-734 0543) Frankfurt

January 13-15 International Fairground and Leisure Park Equipment Trade Fair - INTERSCHAU (01-236 Stuitgart

January 12-17

Carpets, Rugs, Decorative Goods and Home Accessories Exhibition; Jewellery, Gold and Silverware, Clocks, and Silverware, Clocks, Watches and Gifts Exhibition; and 25th International Lighting Exhibition - LUMINAIRE

(01-225 5566) February 8-14 International Toy and Hobby Fair (01-930 7251)

February 9-18 International Boat Show

(01-950 0400) The London Marriott Hotel

January 22-23 Financial Times: Creating a

Euro-workforce in the 90s

IBC: Global emerging stock markets - the potential for the

Portman Inter-Continental Hotel, London

Joint CB/British Gas Conf.

Tunisia - Future prospects for the UK (01-379 7400)

Hawksmere: 1992 - Opportuni-

ties and pitfalls for European insurance (01-324 8257)

CRI Centre Point, London

Hotel Inter-Continental.

(01-925-2323)

1990s (01-637 4383)

<u>Helsinki</u>

Business and management conferences operty insolvency conference

The Institute of Economic Affairs: The state of the economy (01-799 3745) QE2 Conf Centre, London Textile Institute: Textile interi-

ors - a challenge to innovation (061 834 8457) Heimtextil Exhibition, Frankfort

HS Conf. The audit secretary today (01-935 2382) Cafe Royal, London

January 16-17 Spectra: Electronic marketing 1990 in retailing and finance (0734 320177) Regent Crest Hotel, London

January 17 Gouldens: Cross border mergers and acquisitions seminar N-583 7777) Mayfair Inter-Continental

January 22

Profex: The United Kingdom

Brussels
Institute of Personnel Manage ment: Pay in the 1990s (Compensation Forum) (01-946 9100) Lopdon

January 25

telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

CREATING A EURO-WORKFORCE IN THE 90s 22 & 23 January, 1990 - London

This two-day conference will open with keynote addresses by The Rt Hon Norman Fowler, MP, Secretary of State for Employment and Mrs Vasso Papandreou, Europeau Commissioner for Social Affairs. The challenges for management of attracting an adequate supply of qualified people in the next decade will be reviewed by John Banham, Director-General of the Confederation of British Industry; Tony Raban, Chairman of the Forum Européen de l'Orientation Académique: Professor Dr Matti Otala, Senior Vice President of the Nokia Corporation and Ivan Yates, Deputy Chief Executive (Engineering) of British Aerospace pic. Professor Paul Lee Evans of INSEAD will speak on the challenges and opportunities of a pan-European market and how companies can make existing managers more European. The internationalisation of management will be discussed by Richard Noonan, Vice President, Industrial Relations, Ford of Europe and John De Leeuw, Managing Director of the Corporate Staff Bureau, Philips International BV.

CABLE TELEVISION AND SATELLITE BROADCASTING London, 28 February & I March 1990

A most distinguished panel of speakers will examine the implications of Britain's legislative moves towards deregulating broadcasting and one year into the direct-to-home satellite revolution in Europe, how the business is shaping up. David Mellor, the UK Broadcasting Minister and Catherine Tasca, the French Minister responsible for broadcasting, will give keynote addresses and other speakers taking part include Michael Checkland, British Broadcasting Corporation; Anthony Simonds-Gooding, British Satellite Broadcasting, Marc Tessier, Canal Plus International; Andrew Neil, Sky Television and Dr Pierre Meyrat, Société Européenne des

COMPETITION, MERGERS, ACQUISITIONS AND ALLIANCES IN EUROPE London, 13 & 14 March 1990

Competition policy at Community and member state levels will be the focus of the agenda at this important Financial Times conference. Speakers will assess the impact of the Brussels agreements expected on December 21 and will look at developments in the countries where there is the most interest in mergers, acquisitions and alliances. The problems of structuring deals across several jurisdictions will also be a significant feature of the programme. Speakers include: Sir Gordon Borrie, Director General of Fair Trading; John Redwood, Parliamentary Under Secretary of State for Corporate Affairs; Stanley Chinton Davis, Former Member of the Commission; Antony Beevor, Executive Director of Hambros Bank and former Director General of the Takeover Panel; Lawrence Maisel, Partner at Salans, Hertzfeld, Heilbronn & van Riel; Avv Giovanni De Berti, Partner of Studio Legale de Berti Jacchia and Martin Waldenström, President of Booz Allen Acquisition Services.

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CONSTRUCTION CONTRACTS

Docklands railway extension

The contract for the major part of the extension of the Docklands Light Railway, from Poplar to Beckton, has been awarded to MOWLEM-TAY-LOR WOODROW JOINT VEN-

Worth £116m, the contract is for the construction of eight kilometres of double-track rail-way, including 11 stations, plus storage sidings and workshops to be built on the site of the former Beckton gasworks. Construction will take 32 months, and work starts next month. This will be followed by a four-month period of staff

SOUTHERN,

subsidiary of Beazer Regional Construction, has been

training and trial runs, allow-ing the railway to open for pas-way betwen West India Dock senger service at the end of

The Reckton extension has a total project cost of £240m, with most of the funds being provided by the London Docklands Development Corporation, and the balance from London Regional Transport. Contracts are in progress to

extend the railway 1.5 km west, by tunnel to Bank Station, and to upgrade the existing railway for the operation of double-length trains. There are three further con-

Earth satellite switching centre

way betwen West India Dock Road and Prestons Road (Balfour Beatty Construction): 44

vehicles for the Bank and Beckton extensions are on order from BN Constructions Ferroviaires et Metalliques SA of Belgium, with major sub-systems from Hawker-Siddeley Rail Projects, Chippenham (deliveries are planned for the end of next year); and construction and supply of automated fare collection equipment by Westinghouse Cubic.

The other contract, valued at £5.3m, is a design-and-build

tive Wholesale Society; and will rehabilitate the rates hall

and offices of Liverpool City

Council for £450,000.

Repairs and refurbishing

maisonette and flat blocks for

BRIEFS....

Shand House, Matlock, Derbyshire DE4 3AF.

SHEPHERD DESIGN AND BUILD has won a contract worth over £32m for Pler 4 at Gatwick Airport, involving provision of a 412 metres long pier which will provide passen ger access to aircraft via six attached nodes. Transfer to the pier is over a 130 metres long bridge from the North Terminal. Completion is planned for

Shanc

to Construction

Shand Construction Ltd.

Committed

JOHN LELLIOTT GROUP has two projects. One, at £1.7m, is a four-storey 2000 sq metre extension to the Town Hall and assembly rooms for Watford Borough Council. The other, at £1.53m, is for a four-storey office development at Rains-ford Road, Chelmsford, for Brookglade Properties.

LAING CIVIL ENGINEERING has won a £1.8m contract for phase II of the Basildon sewage treatment works extension. due for completion by December next year.

* * * * MIVAN, Crumlin, has been awarded a £6.5m contract by Northern Ireland Airports to build a cargo terminal at Bel-fast. The work will include a two-storey freight forwarders building, a freight yard, and a 35,000 sq metre concrete apron. The contract, which will create 130 construction jobs, is expected to last 48 weeks, and is in three phases.

WALTER LILLY & CO, a Lovell Group company, has a 23.5m contract to fit out KPMG Peat Marwick McLintock's new offices at Clarendon Road, Watford. The 90,000 sq ft four-storey development (pictured left) was let following its completion in November by Lovell Construction which built the block under a £12.8m contract for the Burton Property Trust. Lilly is to fit out all but the ground floor. Work includes building a main kitchen and dining room for 400, a computer suite with raised flooring, plus partioned and open plan offices on each floor.

earth satellite station in Here-ford. The project comprises a single-storey building with a floor area of 400 sq metres and proje project for Smiths Industries in Cheltenham. It comprises a contracts together worth nearly £12m. The largest, at £6.6m, is for a an unusual domed roof, and requires the integration of manufacturing plant to house digital international switching centre at British Telecom's complex services. Work has started, for completion in late the engineering processes for making aviation equipment.

Refurbishing and fitting out worth £1.1m are being carried out at a district services centre

for cheque processing, at Rom-ford, Essex, for Midland Bank.

Similar projects have been car-

near Birmingham.

Tarmac builds high technology blocks Specially designed buildings for high technology work, cost-ing 26.6m, are to be built by TARMAC CONSTRUCTION at a business park in the West Midlands.

The five two-storey buildings are the latest stage of a £17m development being constructed for the Birmingham Business Park Partnership at Coleshill,

Opencast order

Stated to be Britain's biggest opencast mining contract, an order worth £150m has been awarded by the British Open-cast Executive to CROUCH sidiary of Ryan International.

The 15-year contract for Stobswood,near Morpeth, Northumberland, is to mine 12.2m tonnes of coal, sending out 20,000 tonnes weekly, mostly railborne, for the power station, industrial (particularly ICI Wilton), and export mar-

Five years' restoration work



These new offices at Clarendon Road, Watford, will provide will return the land to farming and woodland. The site contains over 300,000 tonnes of solutions of the international accountancy firm. The block has been built by Lovell Construction, and is now being fitted out by a subsidiary, Walter Lilly & Co.



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MANAGEMENT

SmithKline Beecham

Stretching the limits to make a merger work

Peter Marsh explains how a 'round the clock' effort has gone into drawing up a reorganisation plan for the pharmaceuticals and consumer products group

en Kermes has crossed the Atlantic 84 times over the past 18 months. Partly as a consequence, about 1,000 managers at his company have not been getting much rest lately.

Kermes is the corporate development director of SmithKline Bee-cham, the pharmaceuticals and consumer products company formed in July after a merger between Smith-Kline Beckman of the US and Britain's Beecham.

The new company, with headquarters in London but with many of its most important functions based in the US, has annual sales running at about 14hn and is one of the world's top three drugs groups, on the basis of products sold both by prescription and through retail outlets.

Kermes, formerly chief financial officer of SmithKline Beckman, has been involved in planning the merger since June 1988 when the two compa-nies first started talking.

After the deal was consummated. Kermes assumed a key part in the process of putting together the two businesses. The goals have been ambitious. "We did not just want to integrate: we wanted to build a brand new company." says Rob Reuman new company," says Bob Bauman, chief executive of SB and the main

driving force behind the merger.

Bauman, 58, is the smiling and relaxed American who took over as chairman three years ago and who is responsible for day-to-day management of the new group. Henry Wendt, former SmithKline chairman, is executive chairman in the new structure and has largely an ambassadorial and

co-ordinating role. What Bauman, who heads a sixman committee overseeing the reorganisation, decided to put into the operation stretched the limits both of management planning and of the physical and mental capabilities of the executives who work for him.

He set up 250 work teams comprising 1,000 managers from both compa-nies. They have worked around the clock for periods of a few weeks to several months to examine in depth virtually every aspect of the new company's operations. These take in not just pharmaceuticals but animalhealth products, a range of consumer goods from Lucozade to tolletries and a clinical laboratory service which is almost entirely US-based. The teams have looked at all the

business areas in both geographical

and product terms, and at specific managers in the company in helping areas such as research and development, production and administration. The complexity of the task is underlined by the numbers of people involved. The full SB empire (not

including a cosmetics division which the company plans to sell) employs about 55,000 staff around the world who work in over 100 sites. Some of these teams have already reported and the rest will do so within the next fortnight, by which time the documentation from the studies will have formed a pile of paper probably

Planning has proceeded according to a methodology established jointly by a team of SB managers led by Kermes called the Merger Integration

Kermes called the Merger integration Committee or MIT which was aided by McKinsey, the consultants.

Kermes, a burly 54-year-old who has known Bauman for 25 years since they both worked together at General Foods, the US food company, has been in constant touch with the exercise when the MIT with the exercise via the MIT unit, which has attempted during the process to steer the individual teams and keep them

in touch with each other.

Kernes stresses that SB wanted to break new ground in putting together companies after a merger. "We have really looked closely at what was best for the organisation. The last thing we wanted to do was simply to take an organigram of existing jobs and start to fill in boxes on a chart."

The planning, says Bauman, is designed to give him and the other top executives a base from which to start designing the shape of the new group so that it fits in with what he considers the priorities for the future. For example, he wants to build into SB's structure as far as he can such things as a good responsiveness to customer's needs, minimum bureau-cracy and a high degree of innovation in product development.

Just as important, says Bauman, was the idea of involving the 1,000 top

Prescription drugs

Consumer brands

Animal lab. services

SmithKiine Beecham divisions

going to evolve. Bauman does not evade the issues here. He admits that many of the managers in the exercise will not have the same jobs - if a job at all - after the process is imple-

Because of the overlap between the different parts of SB, some jobs will be phased out and others will be downgraded. Some of the managers will find they are designing away their own responsibilities.

"The whole process was about dis-turbing people and a lot of people don't like to be disturbed," says Bau-man. "But we said to them either join the teams or don't. At least this way we gave them a chance to participate. We gave them an opportunity to have some ownership over what the future would hold. I have to say the process has worked and most of the people

have responded very well."

The level of commitment has been so great that many of the 1,000 men and women involved have worked evenings and weekends and put in 80-hour weeks as they have jetted round the world to take part in the planning meetings. Despite his easygoing appearance, Bauman sets tough standards for his workforce; he points out that the business has had to keep going while the planning was taking place. "We have asked a lot of our

managers," he says.

Some key decisions have already been taken. For instance, Bauman has shaken up the two former SmithKline and Beecham pharmaceuticals sales-forces in the US, keeping the numbers of people the same at 1,900 but reorganising them into four groups related to different product and mar-keting strategies. Something similar is happening with the drugs sales teams in the UK and Canada and with the worldwide consumer products and animal health busines

The company took action just before Christmas to cut out overlap-

Employees

27,000

3.000

11,000



Bob Bauman: "We did not just want to integrate - we wanted to build

ping activities in its UK pharmaceuti-cals operations. It is to reduce its total workforce in this area by 344 jobs over the next two years, a cut of 12 per cent. It has also just sold its worldwide adhesives operations and its North American household prod-

ucts business. Bauman does not pretend that all the recommendations will be easy to put into effect and he says that some will take time. As an example, some of the 100 or so plants which SB cur-rently operates are likely to close as a result of the reorganisation. It will take time to sort out the shutdowns and to deal with the question of redundancies. A certain proportion of the workforce are likely to lose their

He is committed to keeping the company's 5,000 pharmaceuticals R&D workers and the 6,000 drugs salespeople but he says some loss of jobs is evitable in areas like administration and production.

For Kermes, the exercise is a

ance for former SmithKline people in the organisation to look back and try to learn from their mistakes. The management of SmithKline has been widely criticised in the past five years - mainly for its lack of supervision of R&D in medicines and for the way it let slip the lead it had in anti-ulcer products with its one-time superdrug Tagamet. The merger as a whole has been viewed in some quarters as a way of rescuing SmithKline from the

clutches of a predator such as a Japa-nese or Swiss drugs group.

Not surprisingly, Kermes does not see things exactly this way, but he admits: "There are some things we at SmithKline didn't do particularly well. And Beecham undoubtedly made errors too. An exercise like this lets us look back and redefine what we want to be."

A telling aspect of the complete reorganisation is that the key manag-ers involved are American. It is diffi-cult to think of many companies run solely by UK managers that would put into train anything so complex and ambitious as the SB operation. Generally speaking British managers have the reputation of taking a more laisser faire, less systems-oriented approach to planning and organisa-tion; indeed, the whole exercise smacks of the complicated systems planning which is a feature of the US aerospace industry, and for which Bauman once worked for six years at two US aerospace manufacturers, Tex-

tron and Avco.

Bauman smiles when this is mentioned and says he had not thought of the analogy. Kermes, however, says the comparison can only be carried so far. "We are demonstrating a similar systems approach. But we are talking about soft issues as opposed to air-craft components. We are managing people rather than technology and that's something we have had to remember all the time."

Tapping hidden 'excellence'

David Goodhart on E. German potential

tant and trader, has a message of qualified optimism for those trying to breathe new life into the East German economy. The message is that the economy has some surprising strengths, the qualification is that they are mainly hidden. It is not simply that the lack of a proper pricing system means the central planners do not know which their most efficient companies are; equally significant, for Kaever, are the under-ex-ploited "centres of excellence" hidden away inside the giant Kombinate industrial groups, above all in software.

Most of Kaever's business with East Germany has been in computers and electronics. Three years ago when he started doing business across the Berlin Wall it was still an agonisingly slow and conspiratorial proce

Because the company he was doing business with had insufficient hard currency he began bartering – exchanging com-puters for software. There was an initial "Catch 22" for Kaever because without his computers, the East German company could not make the software he wanted. He took an investment risk and made a present of the first batch of computers. It never became a very profitable business but the risk proved worthwhile. In Kaever's view East Ger-

man software is both good and remarkably cheap - perhaps one-quarter the cost of equivaient western software. He says most of it is less "aserfriendly" than western software but in some fields of industrial software the East Germans are "excellent". Yet according to some west-ern estimates the East Ger-

mans currently earn only a few million D-marks a year from software exports. Most of the official software industry is centred on Robotron, the East German equivalent of Sie-mens, which is responsible for about half of all exports. "If the best specialists from the software departments inside the Kombinate could be mobilised it would give an enormous boost to the indus-try," says Kaever. He is pro-posing to help that mobilisa-

Thomas Kaever, a 39 tion by organising a confer-ence next February in East based business consul-Germany to bring together western firms interested in buying software and the little-known East German

industrial software specialists.

Kaever says the advantages for both sides could be enormous. With costs less than half those in the west. East Germany could be an ideal place to cut back on the risk involved in brand new software projects. He says various profit-sharing deals could be worked out which would bring both hard cash and know-how to the East German electronics industry.

Parts of that industry are already relatively sophisti-cated and earlier this year the scientific-technical establish-ment celebrated the production of its first 32-byte micro-chip. However, the cost of developing that East German micro-processor industry, con-sidered a military-strategic necessity for the whole East Bloc in the light of western Cocom-list restrictions, has

It has not only cost 14bn marks over the past decade but has left an electronics industry with very uneven levels of development. Also, as one West German analyst has put it: "The East Germans better pray that the west does not immediately abandon the Cocom restrictions — other-wise it will never be able to

recoup its investment." Kaever sees hidden resources not only in the soft-ware electronics field but also, for example, in design. He says that the Bauhaus design tradi-tion has lived on in East Germany and that East Berlin has some excellent designers whose talents are generally wasted on mass-production goods. "The East Germans must learn to use valuable trade-marks like Bauhaus which still have positive associations in the west," he says.

And what interest does

Kaever have in pursuing business with what remains an enormously complex and try-ing trading partner? Financial opportunity is only part of the answer. "I do it because I'm German," he says.

*See this page December 21. Thomas Kaever, AMS, Meine-kestrasse 7, West Berlin.

SPAIN

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FINANCIAL TIMES

CENTRALE NUCLEAIRE ELIROPEENNE" A NEUTRONS RAPIDES S.A. - NERSA FRF 700.000,000 GUARANTEED FLOATING RATE NOTES 1996 For the period December 22. 1989 to February 22, 1990 the rate has been fixed at 11,0825% P.A. Next payment deta: February 22, 1990 Coupon nr: 1 Amount:

₹. 701.

NI-CAL FINANCE N.V. NOTICE OF MEETING OF DEBENTUREHOLDERS

The Meeting is called pursuant to the provisions of the Indenture for the purpose of:

A. Considering and, if thought fit, passing an extraordinary resolution or extraordinary resolution pursuant to the provisions of the Indonture for the following numbers:

To constant to and approve the conversion of the Debentures into \$.01 par value common stock of NYCAL at a rate of \$3.50 U.S. per share after the effective date of the present pending [for 10 reverse stock split or a value of \$0.35 U.S. before the effective date of the split and giving full value for amounts owing on the principal and separal intenses of the Debentures to December 31, 1989. The shares of common stock to be issued upon conversion of the Debentures will carry a registration rights agreement for registration thereof with the United States Securities and Exchange Commission, if any registration statement or Form \$-1 for all correlations of NYCAL. Surroutly, the Boost of Directors of NYCAL has surjected the filing of a Rejectration Statement or Form \$-1 for all correlations of the stock of NYCAL has surjected the filing of a Rejectration Statement or Form \$-1 for all correlated shares of common stock into which the Debentures will be converted.

To secent to any modification of, or classes in, or addition to, or omission from the provisions contained in the Indenture which shall be agreed to by the Company and/or Generations or either of them and which may be contemplated by, involved in or necessary or desirable to earny out the said extraordinary resolutions.

To suthorize and direct the Trustee to consult from time to time deeds supplemental to the Indenture, agreements studyor other documents embodying such approval, waiver, consent, modification, change, addition or omission and/or which may be necessary or desirable for giving affect to and carrying out extraordinary resolutions.

t letter from an officer of NYCAL commonting upon the matters to be considered at the succing, the tent of the proposed resolution, regulations for the Mercing and other documents to enable such holders to be present in person or by proxy and were g, may be obtained upon request from the offices of the attorney for the Guaranter listed below.

GUARANTORS: NYCAL CORPORATION, A Delaware con By: LEON M. COOPER, ASSISTANT SECRETARY

CALIFORNIA NICKEL CORPORATION, a California corporation

By: LEON M. COOPER, SECRETARY CITY COUNCIL OF BADAJOZ (SPAIN)

GENERAL CLERE'S OFFICE

ANNOUNCEMENT

An announcement was published in the Spanish State Gazette of the first of Documber 1989 concerning the Tender for the Prolinit reject of the Fourth Bridge over the Gradiana River in Badajoz.

ORIBECT: The draiting of the Project for the Construction of the Fourth Bridge over the Gradiana River in the City of Badajoz, and a Architectural Separation of the Works.

PERUSAL OF DOCUMENTS: The Conditions of Contract, Particular Administrative Conditions, Technical Conditions and o temperature of the Contracts of Contracts Departments of the Contracts Department of the Contra

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The Principal Paying Agent SOCIETE GENERALE ALSACIENNE DE BANQUE 15, avenue Emile Reuter LUXEMBOURG



Our theatre and actors remain the envy of the world

During 1989 the theatre drew inspiration from Madam Butterfly and Cardboard City, death camps and drink. Michael Coveney reports

In the year that Laurence already given a wonderful mime Linda Kerr as the narra-Olivier died, was buried study in sexually explorative tor's dummy. in a Sussex field and schizophrenia as Rosalind in Hytner also directed the Olivier died, was buried in a Sussex field and commemorated in Westminster Abbey on the anniversary of Irving's burial in Poets' Corner, excavations on the very doorstep of the Financial Times uncovered the old Globe and Rose theatres.

The end of an era is always a sure sign of continuity in the theatre, but it was only the agitation of the acting profession that ensured that the discoveries of the Rose, the most important in Shakespearian scholarship since the chance finding of Johannes de Witt's drawing of the Swan 100 years ago, were fully recognised. In any other European country but ours, the news would have been met with public and political rejoicing and instant Government intervention.

And Olivier was only

granted the Abbey honour with, it seemed, grudging reluctance and after a testy letter to The Times from John Osborne. Our thesire and our actors in particular remain the envy of the world, but you would never know it from the way they are treated at home. The Royal Court, which is the only theatre in Britain commited to the new writing policy that has revolutionised the British entertainment industry, and a stage where Olivier transformed his own career as Archie Rice in Osborne's The Entertainer, was this year compelled to close its Theatre Upstairs, where the newest

writers are presented.
It is indicative of the Arts Council's priorities that the Court has slipped from being the third best funded theatre in Britain to being the sixteenth. Instead, we fund new touring companies with an idea about doing Macbeth in exotic Balinese style while chopping Foco Novo, for instance, the first company in Britain to operate a multi-racial new writing and touring pelicy. The Court has now been disastrously enmeshed in private sponsorship; the work it should be doing is not the sort of thing sponsors want to hear. Its Ian Dury musical, Apples, first fruit of a commercial liaison, gave critics the pip and emp-tied the theatre.

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The state of the s

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Sponsors want *Hamlet* at the National Theatre, and there was no more depressing sight all year than a crowd of pen-guin-suited champagne swill-ers from Ladbroke barging late and noisily into the first night of Richard Eyre's revival in the Olivier. Daniel Day-Lewis never caught fire as the moody Dane, and the production was pictorially elegant but spiritually dead. Reports later in the year suggested an improve-

But the National, overall, had a good year, even if there are no signs of anything like a permanent ensemble within the bleak fortress. Denys Lasdun's stained concrete monstrosity - ludicrously defended by the President of RIBA in the great architecture debate - received its comeuppance in the triumphant Deborah Warner version of Brecht's Good Person of Sichuan. Sue Blane designed the interior concrete onto the stage and Brecht's homeless vagabonds became the inhabit-ants of Waterloo's Cardboard City, the all too visible underclass in Thatcher's Britain. This released all the old ironic potency of a play about pov-erty served before a well-fed audience in warm surroundings. Not since Peter Brook's Les Iks has there been such a proposition on the London stage. Fiona Shaw, who had

Tim Albery's As You Like It at the Old Vic. struck at the heart of Shen Te's moral ambiguity of Shen Te's moral ambiguity by playing her pession and her anger, unacknowledged aspects of the character's personality, through the clenched half mask of her wicked cousin Shul Ta. Warner went back to Brecht's own American rewrite that incorporated an opium racket into the tobacco shop's dealings; the play was enhanced and enriched beyond measure. This superlative evening belonged also to Pete Postlethwaite's suicidal pllot and Bill Paterson's philosophi

cal water-seller. The play was restored for the 1990s. The NT year had begun well with Declan Donnellan's Fuente Ovejuna, which also sprang to contemporary life as a dramatic account, and a political metaphor, of rape. The Cottesloe was unforgettably transformed into the semblance of a Spanish corral in the Golden Age, and the Cheek By Jowl method of Donnellan (and his designer Nick Ormerod) was intensified no end, as no doubt was Warner's,

year's best musical, Miss Saigon, at Drury Lane, a belt-ing re-write of Modam Butterfly set in the last days of the American occupation, com-posed by the Les Miserables pair, Claude-Michel Schönberg and Alain Boublil. Jonathan

and Main Bounds denational as a Saigon pimp whose American dream of the dollar democracy locates the inture in musicals, and Lea Salonga as the child-like wide and a saight of the saight project of like geisha projected charm and innocence through a Godgiven voice. There was an awful lot of serious singing in Saigon, as indeed there was in Andrew Lloyd Webber's Aspects of Love which was handicapped by the awfulness and size of the Prince of Wales Theatre, David Garnett's novella was cunningly adapted, and the score was freshly inventive and touch-ingly experimental. Roger Moore dropped out, but Kevin Colson was a more than adequate substitute and Michael Ball survived a heavy schedule of publicity to deliver a fine performance. Director Trevor Nunn redoubled his pleasure

was a definitive Emilia, Imogen Stubbs a heart-breaking Desdemons, a sexual cherub with Rapunzel hair.

The Royal Shake-speare Company was otherwise thrown into confusion by the sudden announcement that sudden announcement that Terry Hands would leave in 1991, aged 50. The succession has not been arranged, applications closed on September 28 and the new artistic director, or pair of them, should be known early in the New Year. Hytner has withdrawn from the fray, but Adrian Noble threw his hat decisively in the ring with a blistering revival at ring with a blistering revival at the Barbican (from which he has pledged to withdraw the company if put in charge) of The Master Builder, John Wood playing Solness as of right, Joanne Pearce a wonderright, Joanne Pearce a wonder-fully seductive and sinister troll awakening the sexually creative spirit. The ubiquitous Richard Hudson designed a brilliant set, part attic, part mausoleum, that aspired with Solness to the peaks before crashing to earth and revealing the fraits of his labours. the fruits of his labours: a dreadful pygmy, neo-classical

which Hands directed in the artistic decline as it celebrates Swan. Although I questioned the tendentions analogy of Cardboard City (making a pre-Good Person 1989 debut) with the Nazi death camps, this was undonbtedly the strongest new play of the year, and Sher's fantastic performance as the displaced Polish Jew Peter Singer, a survivor from Auschwitz, was another in his stupendous series of protean alien revenge figures.

revenge figures.

The Swan also gave us probably Ben Jonson's best play, the long overdue Epicoene, but it did not receive a production on a par with other RSC Jonson of late. Also in the main house, All's Well was all bad, Coriolanus decent but dull, and other messy Swan productions of Pericles, Dr Faustus and Romeo and Juliet (by Hands) revealed signs of debilitating ordinariness in the company at large. Bill Alexander nipped in at the last minute to serve up a tremendous Duchess of Malfi in the Swan, Harrlet Walter fluttering bravely at the hands of tering bravely at the hands of two nasty brothers nastily played by Bruce Alexander and Russell Dixon. But, overall, the RSC has to re-think its 1980s expansiveness; they are simply

artistic decline as it celebrates 30 years in business, while the Bush is at least doing second plays (by Catherine Hayes and Billy Roche) that hold promise of feeding an industry without transforming it. Shared Experience's acclaimed Heartbrank House I found self-consciously brittles on the other hand brittle; on the other hand. Theatre de Complicité delighted with an office fantasy, Anything for a Quiet Life, in their Almeida retrospective, and Sian Thomas and Rosalind Knight were among the gifted classical performers throwing in their lot with Julia Bardsley and Phelim McDermott in a memorable, visionary appropri ation of Edward Gorey in The Vinegar Works, also at the Almeida. This latter venue is set for more great things in the New Year under Ian McDiar-mid and Jonathan Kent, among them Glenda Jackson in vintage Howard Barker, Claire Bloom in late ibsen, and

Hytner directing.

Ian McDiarmid gave the performance of a lifetime in Iris Murdoch's The Black Prince, an evening of brutal comedy and savage delight. Nastiness

was all the rage, as Peter

McDiarmid himself as Volpone,

dle-brow classic evenines with the ad hoc Alan Bates and felicity Kendal company at the Strand; I reckon both Icanov, Bates relating the Chekhov groucher to his Simon Gray days, and Much Ado, delightfully designed by Mark Thompson, were underrated. Elijah Moshinsky directed them, and went on to do Ronald Har-wood's autobiographical play of political and domestic escape through art, Another Time, in which Albert Finney thundered effectively across two generations and Janet Suzman and Sara Kestelman were brilliant in support. Dustin Hoffman was a spit-

ting almost comically Hassidic Shylock in Peter Hall's clear and gripping Merchant of Venice: not a great evening, but Joan Collins looked a treat in the stalls, and Geraldine James irradiated a complementary inner beauty on stage as Portia. My favourite visitor, though, was Jackie Mason, who hit London just at the eggs and salmonella scare time and re-wrote his incomparably sizzling script accordingly. He said England was the only country in the world where food was more dangerous than

one of the many resilient old men bullied but uncowed by state censorship over the past Meanwhile, our international

horizons were once again expanded thanks to the indispensable London International Festival of Theatre, LIFT. Ana-toli Vasiliev's Six Characters of Pirandello was one of the greatest productions I have ever seen, and the Katona Josef of Budapest, probably the hottest troupe in Europe right now, and the Geneva Miss Julie directed by Matthias Langhoff, were welcome and necessary visitors.

othing is more deadly at the moment than the critical backlash against directors' theatre. Plays are written to be per-formed in a theatre, and that entails a creative process of analysis and anatomical research that can, and often should, run counter to mere literary expectation. There is no one view of a play, any more than there is one way of doing it. Vosiliev's Pirandello, for instance, was a creative deconstruction of the sort demanded by such a playwright; to do the play merely as written, as indeed the National did a few years ago, is to duck the interpretative responsibility of the-

atrical intervention.

Talking of which, the high-light of the Edinburgh Festival was Yuri Lyubimov's remarkable Boris Godunov; the downside of Lyubimov was seen at the Leicester Haymarket where his unforgettable Taganka Hamlet of the early 1970s was lamely re-cast with ironic English actors. The sweeping curtain had lost its political significance. Elsewhere in the regions, I sense that the Arts Council support of non-experi-mental work is taking its toll on the programming. The year was dull, with only fitful signs of life at Manchester and Sheffield and Bristol. Alan Ayckbourn delivered a splendid tirade at the Evening Standard Awards' lunch about the need for subsidy; his entire commer-cial career is based on the security and conditions of his Scarborough bolt-hole, where he unravelled one of the great lost plays of the European repertoire, Henry Becque's Wolf at the Door. It was like Volpone meets Three Sisters in The Voy-sey Inheritance. The Citizens in sgow remained interesting, highlights were Philip Prowse's bicentennial Take of Two Cities, done with the magisterial style and simplicity of a Giorgio Strehler Goldoni production, and Giles Havergal's wittily austere adaptation for four actors of Graham Greene's

Bob Peck teamed beautifully in an Arthur Miller double-bill Two-Way Mirror, at the Young Vic, Eric Porter was a titanic and lyrical Lear in Jonathan Miller's darkling Old Vic production, Thelma Holt's international season at the National brought us Ninagawa once more and the sensuous Tango Argentina. Harwant Bains was a promising writer on the epic scale in Blood, Paul Bhattacharjee outstanding in the lead, at the Theatre Upstairs. Which is where we came in. And where I take my leave of the FT arts page for a weekly

billet on The Observer. I shall miss the page, my colleagues and our readers more than I can say but depart safe in the knowledge that this great newspaper will sustain here its honourable tradition of answering to God while keeping Mammon happy elsewhere.



Great performances: Maria Aitken in 'The Vortex;' Fiona Shaw in 'The Good Person of Sichnan;' and John Wood with Joanne Pearce in 'The Master Builder'

by the confidence of being newly installed as an NT associate. Juliet Stevenson was a tinny Provencial musical which hard-hearted Hedda in the Olimeter of the supervised that half a losi is sometimes and can hardly dare to hope the supervised the RSC for the supervised the RSC for the confidence of being in France (he owns a house model village. The architect as doing too much, and the time of the time of the supervised that the supervised the RSC for the confidence of being in France (he owns a house model village. The architect as doing too much, and the time of the supervised that the supervised the RSC for the confidence of being in France (he owns a house model village. The architect as doing too much, and the time of the supervised that the supervised the RSC for the confidence of being in France (he owns a house model village. The architect as doing too much, and the time of the supervised that the supervised the RSC for the confidence of being in France (he owns a house model village. The architect as doing too much, and the time of the supervised that the supervised the RSC for the confidence of being in France (he owns a house the confidence of being in France (he owns a house architect as doing too much, and the time of the confidence of the supervised that the supervised the supervised the RSC for the confidence of the confidenc vier. Howard Davies's though Alun Armstrong was ingratiatingly entertaining in tion notably designed by Bob Crowley around a large wrought iron stairway. The the lead. Num returned to old haunts current shift away from natuin Stratford-upon-Avon, where

ralism, even in Ihsen, was indi-cated by the attention lavished he directed his Glyndebourne Porgy, Willard White, and Ian McKellen in Othello as the last on the evanescent in the play, its sub-text of child murder and courageous suicide. These production in The Other Place. This great production set about the most domestic of tragedies ripples spread rapidly across the play's linguistic surface. with a fine tooth comb and Even more memorable use of called upon the American Civil War as a visual way of defining the Olivier was made by Crowley, this time with director Nicholas Hytner, in Joshua the hierarchical structure. Sobol's Ghetto, a grim but inspirational account of the McKellen's dangerously imploded lago, with a thick Bolton accent and Hitler mouslast days in the Vilna ghetto, where 10,000 lives are saved by sacrificing 1,000. Maria Friedtache, was out of control and off the leash in the "Deep man yearningly sang the ghetto songs and Alex Jen-nings was a sardonically aloof South" of Cyprus, where the barrack room scene leading to the downfall of Cassio (Sean Baker) was the most brilliantly directed episode of the year. SS officer for whom culture was something to fill up the spare time. Contact was made White was a big booby, deeply with the rich seam of physical theatre on the fringe by cast-ing the astonishing acrobatic

bad planning; the production was allocated barely three

dozen performances The reason for this is that the RSC does not seem to know where its best work is going to happen. Nothing is settled or predictable. Maybe this is a good thing. John Caird, for instance, responded instantly to the goodbye Hands wave by setting the Stratford main stage alight not once, but twice, in the season. His reviv als of A Midsummer Night's Dream and As You Like It were sheer pleasure-spreading extravaganzas, both underpin-ned with stern views on fantasy and escape. David Trough-ton's Bottom was beyond recent compare, while Sophie Thompson's Rosalind was the most spectacularly brave and ebullient lead performance on this stage since Antony Sher's Richard III. Sher himself resympathetic and genuinely Richard III. Sher himself reamazed that people could joined the RSC to play the lead behave badly. Zoë Wanamaker in Peter Flannery's Singer,

vernors will b ther the courage nor the will to insist upon this.

There is a dearth of new plays which worries some critics more than it worries me. It is not just a question of economics and troubles at the Court. The action has simply gone elsewhere, and for this reason I value my visit this year to the National Review of Live Art in Glasgow, where the latest in student projects was on view. A new team called the Damned Lovely are worth watching out for. On the fringe, the most interesting work is not at the Bush or the Hampstead Theatre any more. but on the art house circuit with imaginative auteurs like Gary Stevens and Steve Shill. The former's *Animal* and the latter's Ode to St Cecilia (with students from the Leicester Polytechnic) were two of the most imaginative, haunting shows of the year. Hampstead is in serious Bernard Is Unwell was bril-liantly stitched together by Keith Waterhouse from Bernard's own writing, and John Gunter's woozily tilting Soho pub interior was a wittily justi-fied variation on the rather mannered architectural school of neo-Expressionistic design that everyone is now digging. Both McDiarmid and O Toole blasted Anthony Hopkins to oblivion, rather disappointing and un-demonic, I thought, in

that overrated piece of sub-Shaffer kitsch, M Butterfly. Overall, though, complaints that the West End was arid were unjustified. I counted it one of the best years in recent memory. Philip Prowse's pro-duction of *The Vortex*, a brilliant reclamation of Coward's early sex, drugs and incest shocker, starring Maria Aitken and Rupert Everett in top form, was a remarkable import from the Glasgow Citizens.

I visited Prague in March and can hardly dare to hope that the suppressed theatre of the past 20 years might now be released in a great creative flood. Has there ever been such a political upheaval led from the heart of a nation's theatre? The new Civic Forum opposition party has its headquarters in the Magic Lantern Theatre, where the Czech avant garde theatre was born in the 1950s. Václav Havel has not had a play of his performed in Prague for 20 years and has spent nearly seven of the last 12 years in prison. In March, feelings ran high but were not fuelled by much optimism. Suddenly everything seems possible. Havel might even become the nation's President. Sharing a platform with him at one meeting reported on the news was the dramature of the Theatre on a String in Brno, who whispered a translation in

The ever-extraordinary Helen Mirren and reliably solid my ear of one of my year's highlights, a staging of Bohu-mil Hrabal's I Served the

ARTS GUIDE

THEATRE

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Klaine marvenous gongs and manne Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undernanding fare (784 0051 or 922 0405). 8951, cc 836 2428). Jeffrey Bernard Is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholi journalist who embodies a Fal-staffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine view the case.

stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (437 2003). The Good Person of Sichman (Olivier). Magnificent Nation (Olivier). Magnificent National-Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a victors disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. From Shaw leads a fine cast in

a play new-minted for the 1990s. Ian 3, Jan 11-18, Jan 29-Feb 3 (928 2252). ren 3 (325 232). Another Time (Wyndham's). New Ronaid Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father 35 years, suggesting that talent is a means of escape and a rea-son for not going back. Janet

Suzman and Sara Kestelman are electrifying in support (867 1116). M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured Anmony Hopkins as the tortured diplomatic hero in a Peter Shaf-fer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transves-

tite tragedy proves less electrify-ing than in New York; the play is not very good but still worth seeing (379 5399). seeing (379 5359).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operatis derived from David Gar-

nett's 1955 novella. Musically netra 1950 hoveina anisotany interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybartiic insouciance. A proba-ble, but unspectacular, hit (839

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winwenny wasserstein a want-win ing drama covering 20 years in the life of a successful Ameri-can baby boomer goes from sup-port for Eugene McCarthy's pres-idential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emo-tional flavour of the period (239

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into bur-less the bosself (245 0102) life for herself. (246 0102). Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscross ing in an elegant, but somewhat random setting (246 0102). Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200). Lend Me a Tenor (Royale). A sprucing up in the set of a decay-ing town's big time opera ambi-tions makes a transatiantic bit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Vic-tor Garber (239 6200), Rumours (Breadhurst), Nell

Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of musging but hollow humour that misses as often as it hits. Christine Baranski leads an ebu cast in the inevitable but disappointing hit. A Chorus Line (Shubert). The longest-running musical in the US has not only supported

os has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200). magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway

lessons in pageantry and drama Me and My Giri (Marquis). Even if the plot turns on ironic mim-icry of Pygmalion, this is no clas-sic, with furgettable songs and dated leadenness in a stage full December 22-28

Then there were decent mid-

of characters. It has nevertheless proved to be a durable Broadway hit (947 0033). M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplom whose long-time mistress was a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Striffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (238 6200).

Washington

Annie 2 (Opera House). The American theatre is not immune to sequel-itis, which plagues the other arts, and here ordains a return trip to the orphanage for Dorothy Loudon surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

Chicago

Driving Miss Daisy (Briar Street). The touching relation-ship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades

(345 4000). Steel Magnollas (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing estab-lishment (988 9000). A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Aladdin

English King, a great novel by

DOMINION THEATRE A new chorus has entered

pantomime folklore. Along with "it's behind you," and "Oh, no you won't," and "wanna go wee-wee" we can add "Bru-no," chanted with soccer yob brutalism. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter: Our Frank. Britain's favourite loser, is directing his genius this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

He constantly shuffles his feet warily, as if anticipating a mean ad lib from Michael Bar-rymore's Wishee Washee, and confines his acting to facial twitches. But his good humour and natural affinity with an audience make him a strong addition to a lavish West End panto which, for the first time in years, is actually quite enjoyable.

Barrymore, who is rarely off stage, must assume much of the praise. Even when doing nothing he still conveys excite-ment. He enters at high speed on a Suzuki bike and quickly, in his John Cleese persona orders two front row fathers to leave the auditorium, His pace is relentless, and a limitless ragbag of nonsense songs keep the kids hysterical as they switch from shricking to pogo-ing around the aisles. He only slips up in the tots from the audience sequence, reducing a five year old boy to tears with the innuendo that his mum is

a street-walker. Since the programme notes that the "entire production is under the personal supervision of Norman Murray and Anne Chudleigh," they must share the approval. There are virtually no references to television, either programmes or commer-cials; there is no smutty winking at the parents - the few blue notes are raced through:

superfluous glitz.

There is plenty of plot, even if it is basically rushed through by the interval, and the supporting players have been strongly cast. The Great Soprendo's solo magic spot is on the sophisticated side for kids but then Dooby Duck had them in stitches while adults stayed stoney faced. The Roly Polys provide a nice twist as the Chinese Policemen, while Alyson McInnes is quite the spunkiest Aladdin to emerge in years. Since Helen Jayne as the Princess has an equally powerful voice their throaty duets were quite a feature.

Antony Thorncroft

Samuel Beckett. playwright, died on December 22. An obituary appears on Page 12. Sir Lennox Berkeley, the

composer, died yesterday. An appreciation will appear in omorrow's Financial Times.



FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL Telephone: 01-873 3000 Telex: 922186 Fax; 01-407 5700

Wednesday December 27 1989

Ceausescu's violent end

OF ALL the revolutions which have taken place in Eastern Europe over the past few months, the Romanian has most closely followed the classical pattern of violence, bloodshed and summary retribution. Until the week before Christ-mas, when the Romanian security forces fired on demonstrators in the provincial city of Timisoara, the main characteristic of the anti-communist revolt in Eastern Europe had

been its peaceful nature.

The world marvelled as it watched the overthrow of the communist regimes of first Poland and then, in turn, Hungary, East Germany, Czechoslovakia and Bulgaria under the sheer weight of public opinion, without the firing of more than a few shots. No doubt, all these remarkable developments were made possible by the increasing certainty that the Soviet Union, under President Mikhail Gorbachev, would not intervene militarily as it had in earlier years when East Germans, Hungarians and Czechoslovaks rose up in protest against repressive communist regimes. Why should the Romanian revolution, which took place in the same context of Soviet abstinence, have taken such a different course? There is, it is true, a tradi-tion of violent political upheav-als in the Balkans. But that can certainly not be the entire explanation for the explosion in Romania. Rather is it to be found in the exceptionally President Nicolae Ceausescu, harsh, brutal and corrupt even in comparison with other former communist regimes in Eastern Europe. When the lid came off a system which ery, material deprivation, inequality and fear, the backlash was bound to be particu-larly virulent.

Suppression

The realisation that, in such circumstances, a relatively peaceful transition to a more popular form of government would prove impossible, explains the violent attempts by President Ceausescu and his most faithful henchmen. the Securitate secret police, to suppress the revolution. The ruling family and its closest

option of retiring gracefully into private life, as some other East European leaders seem to have had. They knew they had no alternative but to fight for

Execution

The execution of the President and his equally detested wife Elena, after being found guilty by a military tribunal of a series of crimes ranging from genocide to embezzlement and the destruction of the national economy, must be seen in this context. But secret trials by military tribunals for political and civil crimes, however dastardly, cannot be condoned by those living under democratic regimes and attached to the

rule of law. The reasons for the summary methods employed to condemn and execute the hated dictator and his wife can be understood in the conditions prevailing in Romania during the last few days. With the outcome of the revolution still hanging on a knife-edge and the Securitate showing unexpected resilience in countering the popular uprising, it must have appeared essential to the leaders of the revolution rapidly to rid the country of the leader who, alone, could prolong the conflict.

Yet if Romania is ever to take its place as a respected member of the free world, it must be seen to apply the democratic principles in the name of which its people have car-ried out their revolution. Any further violent retribution would make a mockery of these claims.

The new government headed by President Ion Illescu, named yesterday, has the difficult task of providing stable government in a still nervous and tense atmosphere. Its strength, if it can be described as such resides in the fact that it includes representatives of the two elements which ensured the success of the revolution the people and the military. It rves international support. But Romania is in an even more fragile state after its revolution than any of the other Eastern European countries; it will need all the help it can get to pull it back from the brink of chaos.

Long-termism in the City

When it comes to assessing everyone else's business, the City of London is frequently d of taking a short-term view. Not so when it comes to the conduct of its own affairs. Since the Crash of October 1987, the return on capital in the domestic securities business has been dismal. Many houses in the international markets have suffered an equally severe profits squeeze. Yet there is no lack of enthusiastic new entrants willing to bring fresh capital to the mar-ket and to absorb discarded dealers and unsuccessful firms. In short, long-termism is rife at the operational end of the securities business, despite the existence of several new threats to the profitability of the market.

The most pressing of those threats relates to the forthcoming European directive on unpublished draft on capital adequacy for non-bank securi-ties firms to emerge from Brussels bears the stamp of judicious lobbying by the West German banking fraternity, which favours high minimum levels of capital in preference to a risk-based approach. As well as making entry to the business expensive, and thus more difficult for innovative smaller firms, this form of regulation could greatly increa the capital requirements of existing London-based securi-

Overkill

ties houses.

The German banks argue for more capital mainly on grounds of prudence; others in prope claim that this is a case of prudential overkill at the cost of an inefficient use of capital. Whatever the respective merits of these arguments there is little doubt that the attractions both of London and the European Community as a bome for US and Japanese securities firms would be severely diminished if the relative cost of doing business in Europe were dramatically

That is one reason for believing that it is unlikely to happen. The London securities fraternity is no longer a passive observer of events in Brussels. It would thus be surprising if the Commission's paper did not go through another

attempt at compromise before being submitted to Sir Leon Brittan, the commissioner there are other, less amenable clouds on the horizon, the most important of which emanates from the Japanese Ministry of

Japanese equity warrant-re-

Backwash

lated business has provided the most dynamic area of growth in the London Eurobond market. Yet the Japanese authorities are now keen to repatriate the business, which was originally driven away from Tokyo by restrictive regulation. The backwash here will not be confined to those intimately involved in this seemingly esoteric corner of the City. Already large Japanese securities houses are considering where to redeploy their efforts. Nomura International's recent move into the European retail investment management mar-ket may well be a small but telling signal. The diversion of more of Japan's huge pool of cheap capital into a wider spread of markets would be one more unwelcome turn of the screw for the more hard

That is not to say that the picture is wholly bleak. One of the ironies of the present situa-tion is that some firms on London and Wall Street with interests in Japan are rumoured to be making more out of their tiny market share in Tokyo than they are making out of much larger market share on their home territory. Corporate finance activity continues to generate fat fees, although the quality of those earnings is admittedly poor. And profit-able niches still exist for peo-ple who have eschewed the once fashionable notion of the

But that cannot disguise the fact that the profitability of the core securities business is inadequate. In a world of computerised dealing and increasing liberalisation it is likely to remain so. Even the role of established stock exchanges is coming under competitive threat. With no cushion of retail profits to fall back on, many domestic and foreign securities houses will continue to look to a distant horizon for

a respectable return on capital.

financial supermarket.

'n the Romanian border town of Giurgiu last Saturday morning, a peasant steaming carcass of a pig, just slaughtered, down the track towards the main road. As it came up to the crowd of people milling about near the border

post, the father of the family held up the head, dripping with blood, and yelled: "Ceau-sescu! Ceausescu!" At once, the crowd, delighted, began to chant the anthem of this revolution — of which an approximate transla-

"Ole, ole, ole, ole, Ceauses-cu's gone away." And then, over and over: "Death to Ceausescu! Death

to Ceausescu! This uprising has not been
- as others in eastern Europe
have - a peaceful affair. How
could it be? The Ceausescu regime was not merely oppres sive, it was barbarous. Those who are making the revolution do not merely want a new gov-ernment, freedom, a better life. They want the blood: more, they want to see blood. They want the pig's head held high. Early yesterday morning, Romanian Television, the artery of the revolution, showed a brief film from Timisoara (where the train of soara (where the train of events began on December 17 with the demonstration in sup-port of Fr Laszlo Tokes, the dissident Hungarian priest). The film showed a torture chamber of the Securitate, the chamber of the Sethinder, the security police. A charred corpse lay on a table in a con-crete room, electric wires bind-ing the wrists. All about were handfuls of human hair. It made you gag in the throat. It was the last panicky horror of brutes, seeking to terrify back into submission a tide which

has now all but engulfed them. We cannot yet know how many they have taken with them. There has been heavy fighting in Timisoara, off and on, all over the weekend and still on Christmas Day, as the Securitate who had rolled into town last week to quell the citizenry found themselves fight-ing for their lives. There has been fighting also in Sibru, where Nicu Ceausescu, the dis-solute son of the dictator, had held court as First Secretary. His private army fought on even after he had been dragged before the television cameras last week, his face puffy with beatings. And in Bucharest,

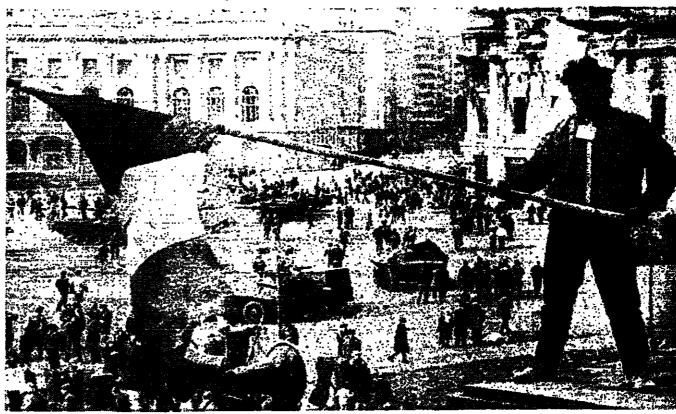
fighting continues, sporadi-cally, still.

Military opinion discounts

the figures of deaths in the tens of thousands, and offers a total of a few thousand in the country. In Bucharest, this opinion talks of perhaps 1,000. In one sense, no matter: many people have died, and blood will have blood. This was a desire assuaged somewhat a desire assuaged somewhat yesterday afternoon around 1.30pm, when the television service, besieged by angry demands that the execution of the Ceausescus announced in the early hours of the morning he made manifest, finally showed the videotape of the top couple, slumped together in death against a wall in a

military barracks. Bucharest is quieter now, but it is nervy, jumpy and not very joyful. As the new govern-ment was forming itself inside the Central Committee building on Palace Square this morning, the crowds were

John Lloyd reports from Bucharest



Romania's raw, vengeful revolution

building up outside, demanding to be shown the death film, complaining that the army was acting high handedly, and when the composition of the government filtered out objecting fiercely that it was led by Mr Ion Ilescu, a Commu-nist, albeit a dissident one.

The continued use of French as a second language makes communication relatively easy here. Taken together with the angry populism of the crowds; the insistent pressure of the little street committees which control Metro stations, intersections, public buildings and even restaurants, subjecting people to constant, sometimes tediously pernickety searches; and the militant ardour of the students and young people who began the protest, this gives the city the air of Paris in 1789, losing little of its raw-

The worst horrors, now, are off the streets. In the Emergency Hospital, Dr Adriana Georgescu, a hollow-eyed surgeon sleepless for four days and nights, speaks of operations performed without anaesthetic because stocks have been exhausted. In the crammed wards, young men lie groaning on beds or on camp beds placed between them. On Christmas morning in

the Metropolitan (Orthodox) church a Christmas service is conducted. The Metropolitan. Teoctist Botoseneanu, venera-ble and a little shaky, leads the responses as the choir sings. As he invokes the memory of those who have died, a great bell begins to toll over the square below, where the former president had nearly fin-ished building his gargantuan Palace. As it does so, shots ring out. Soldiers about the church fire, it seems without aim, in the direction of the Palace. Inside the church, women

moan and some weep.

Just beside the Central Committee building is - was - a main university library, a handsome late 19th century structure with two fine domes, both now reduced to a skele ton. Next door was the Securitate building of the presiden-tial guard. When the fighting started last Thursday night, some of them moved to the library to fire on the crowds and the army. The library was shelled and machine gunned to a blazing ruin. Its director, Ion Stoika cries as he talks amid the wreckage of the first folios of Shakespeare, the manu-scripts of Rabelais and the many Romanian rare editions and papers which were either burned or reduced to pulp by

deprived in recent years. It has had no cash with which to buy books; and it has been forbidden to obtain certain books and to lock others away in the basement. Securitate control over this, as everything else, was total. Now at least that will be lifted, though much has

been destroyed in the lifting. The street battles now seem unlikely to return to the level of Friday, Saturday and Sunday. It is not clear how far the Securitate made a serious attempt to counter-attack once the army had joined the people in the night of last Thursday/ Friday; how far they merely put up what they must have known would be suicidal last

Exaggeration will be wild, here, as the young men who were the first wave of the struggle talk up their triumphs. As they conducted the press about the shattered Cen-tral Committee building yester-

Those making the revolution want not merely a new government or a better life. They want blood

His assistants are now rooting about in the ruins, seeking to save what they can. One, Dana Nicolescu, says she has taken home with her a hope-lessly damaged Shakespeare folio, for safe keeping and to see what may be salvaged. Though rich in treasures,

the water pumped in after- day there were many stories about pursuit of secret agents through the underground tunnels. One story, told several times and verified by the commander of the building, Col Radulescu, was of a student with an empty gun arresting the Interior Minister (and thus head of security forces) Todor Postelnicu in a small seventh

The fact remains, however, that the first attack to gain the inside of the building were young people and students, and that the Securitate mainly fled before them. Only when the army came over to the side of the people did the real gunfire start.

Even now, as the first structures of government are put into place and the first springs of democratic parties appear, everything is conducted fear-fully. At the television studios on Monday night, entrance in pitch blackness takes 40 min-utes, as nervy soldiers pass visitors from post to post. Inside, machine guns guard the main studio, Studio 4, from which the principal broadcasts are

Just outside the studio, in the squalid corridor lit by a crazily tilted arc lamp, a suspected agent is pushed viciously against the wall, three Kalashnikovs in his back. Later, there is nearly a fight between the group of sol-diers guarding the station management and those guard-ing the studio over when and if to run the cassettes of the

Ceausescus' trial and deaths.
Visiting the Foreign Ministry
on Victory Square yesterday
afternoon, where neatly suited lobby, a fire fight erupts around the entrance and I spend five minutes under a tank before being pushed into the entrance by a soldier who looses off a burst of fire towards a construction site as I run. On reflection, I did not see or hear any incoming shots, but it was no time for close

analysis. Two concerns predominate. First, a lingering fearfulness, the continuing belief that the Securitate can in some way regroup and fight back - a tribute to their domination of political and civil life, electric manacles attached to every crevice. And also, constant pleas on the part of Romanians to see their country as one which is waking from a nightmare to normalcy.

"A week ago I could not have spoken to you," says Viad Leonu, a flight engineer with Tarom, the state airlines, shouting over a facility of the state airlines, shouting over a fuelilade. "You cannot imagine how we have been reduced," says Mircea Stan, a foreign trade official.

Stan, a foreign trade official.

Both of these young men were rather privileged. They could travel, had learned good. English, knew what life was like outside. Yet there is not a shred of loyalty to the old system in them. Simply an assumption that once fear had assumption that once fear had been released they could bury it and try to live better. Because the Ceausescus created a state ruled so wholly by fear, there appears to be little volition to look for culprits

within a nomenklatura everyone was, in a certain way, equal under the terror.

Yet even in this most closed of the closed societies (Albania apart) emough filtered in to subvert. Broadcasting from abroad, Radio Free Europe. Voice of America and the BBC World Service were able to cir-culate news of dissidence and, last week, to beam in the news of Timisoara which went

around Bucharest like a flash.
Once the uprising had happened, domestic radio and television took over, pumping out a constant awkward diet of unimaginably low technical quality which has done more than the most gracefully crafted documentary to inform and inspire. In this, even more than in Czechoslovakia last month (where broadcasting played a central role) televi-sion has sustained the belief that revolution was possible and could succeed hence the heavy guard outside the studio and the air of siege within. The shattered rooms of the

Central Committee building yesterday, their omnipresent ornament the collected works of Nikolai Ceausescu, offered a mique tableau of the Fall of Tyranny. In the end, nothing saved the terrible family: not their wealth, not their Party, not even their psychopathic guards who scuttled like rats efore a people finally risen. It offered, too, a reminder of

how precarious are liberal sentiments. Outside was a crowd baying to be shown the last pictures of the Ceausescus. I heard not one word from the foreign press corps of disap-proval at this (nor did I utter any). Nor was there any condemnation of the many who came up to reporters to insist that the Ceausescus should be slowly hanged, or tortured to death or imprisoned in a public

This revolution of a degraded people called forth and inspired a response which was itself inevitably degraded. If that response can be exorcised by the Ceausescus' death, as they are exhibited like the pig's head in Giurgiu before a delighted nation, then the country has a chance to rise once more.

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The Centre goes under

A sad tale came to an end in London just before Christ-mas. After 21 years of opera-tion, the Trade Policy Research Centre is finally to close. The decision was taken by an Extraordinary General Meeting of the Centre's members last

Thursday.
The timing is ironic. One of the few research institutes to take the global trading sysoperations just as the Uruguay Round enters its final, fraught

The Centre has been contro-

versial, but how could an institute whose subject was trade and protectionism do a good job and be anything else? There can be few with an interest in the international trading influence it has exerted through its meetings, its arch and its journal - The World Economy.

Some efforts were made to bring new funds into the Centre once its difficulties became obvious, but these were rendered difficult by the failure to find a new chairman to replace Sir Kenneth Durham the former head of Unilever.

Yet that failure was itself symptomatic. It is remarkable that not one senior business figure has seen fit to make this cause his own. Moreover, by the time the problems were public, they had been mounting for years. There were managerial fail-

ings at the Centre, to be sure, but chronic underfunding was behind even them. The truth is that British and European businessmen do not appear to understand the role they need to play in policy forma-tion. They are unwilling to support policy-oriented research, especially when it may prove controversial, and presume that governmentsponsored research will adequately serve the public good. This is particularly unlikely

in the case of trade, however,

Observer

since trade policy consists largely of government support for special interests and pressure groups. Objective govern-ment research into trade policy scarcely exists. How different it all is in the

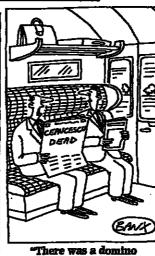
US, where a host of dynamic private research institutes from the grand and celebrated to the small and obscure – compete for attention. In Britain, and to some extent in the European Community as a whole, potential supporters of the Centre have looked their responsibilities in the face — and turned away.

Money in cards ■ Here is a post-seasonal thought. One of the highest paid executives we have come across is A D Brownsword, chairman of The Andrew Brownsword Collection Limited, the company which recently acquired another

greetings card publishers, Gordon Fraser Holdings Limited. According to the company's audited accounts, Brownsword's personal emoluments last year were £3,616,013 way above anything received even by the likes of Lord Hanson. The company's turnover was £11.6m and the accounts also note a charitable donation during the year of £5,000.

GM on screen

■ Roger and Me was released in the US last week after receiving great acclaim at the New York Film Festival in September. The Roger in question is Roger Smith, the chairman and chief executive of General Motors. And the film has heaped fame and fortune on Michael Moore, its writer and director. Moore is being called a latter-day Mark Twain and Warner Brothers has paid him millions of dollars for the distribution rights.



with his name

The climactic scene is a kind of Christmas Carol of the car workers. Smith delivers his traditional Chairman's mes sage to his employees worldwide over General Motor's satellite television system. "It is a good time, the only time during the year when people open their hearts freely," he says quoting Dickens. You see the Christmas Eve

eviction of an unemployed car workers' family. The sheriff's men heap children, tree, tinsel and all on a sidewalk in Flint. Michigan. That was the town to which General Motors gave prosperity for 70 years, then withdrew it as the company fired tens of thousands of workers, bulldozed plants and moved its production to

Mexico. Moore grew up in Flint, but had no intention of following his father's example of 32 years on the assembly line. Instead he edited counter-culture newspapers, one of them partially funded by Stewart Mott, the good works heir of a GM foun-

ding family. To make the film, he stalked Roger Smith for years from

yacht club to luxury hotel to GM's gloomy headquarters. All he wanted was for Smith to visit Flint to see the devastation he had wrought. The result is a satire being marketed as a comedy. "One of the most entertaining movies of the year," say the Warner ads. But it still hurts, Odd that there has been nothing like it in Britain.

Dilemmas ■ It struck me as slightly

strange that of the two great dramas to unfold over the holiday period one was in a country that was the model for Rur-itania and the other was in a place that might have been ferred to as a banana republic. No great moral in that, except perhaps that we should never underestimate the capacity of small states to surprise. Yet in their way both Romania and Panama raised

moral questions as old as time. Should you ever execute a tyrant, however heinous, with-out trial? And should the Church be allowed to provide senctuary to a wanted man like General Norieza? Does anyone really know the answers?

Variables ■ Useful facts: the National

Audit Office, which has been examining test processing in the Civil service, has discovered that the output per typist in the pool with the greatest output rate of those examined was no less than seven times that of the least productive pool. The NAO also found that the pool with the highest unit costs was six times as expensive as the cheapest pool. There must be some explana-

Almost there

■ A seasonal greeting seen in a New York restaurant window - Pizza on Earth.

GREAT UNPRONOUNCEABLES OF OUR TIME

(Pop-o- catter-pettal. Aztec. Popoca, to smoke, tepetl, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea-level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain (Bu-na-ha-venn) 12 year old single malt Scotch whisky. Bunnahabhain is distilled on the

Isle of Islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.



Available at Oddbins, Harrods and Selfridges and selected branches of Victoria Wise, Peter Dominic, Univirus and Augustus Barnett.

or businesses worldwide, the 1980s were marked by two overriding themes. First, iconoclasm. Ideas, rules and values which had governed corporate life almost unquestioned, in some cases since immediately after the Second World War, were relegated to the mansoleum.

Sectors such as shipbuilding and steel, once numbered among the "commanding heights" of industrialised economies, were dispatched to the sickbay. An international stamped developed to have see the pede developed to harness the promise of the fast-growing new technology industries, notably microelectronics, while manufactur-ing methods were rethought world-wide in the light of intensified Japa-nese competition.

A new class of heroes was cre-ated, as the audacious entrepreneur shunted aside the salaried corporate executive to become business role model for the decade. Above all, the market - and in the Anglo-Saxon world, the financial market reigned supreme, elevating and dis-posing of favourites with despotic

The second dominant trait was accelerated internationalisation. Spurred on by fiercer competition from abroad, the limitations of their home markets, the search for scale economies and advances in commueconomies and advances in commu-nications technology, companies throughout the industrialised world boldly extended their reach. "Glo-balisation" became the manage-ment credo of the decade, earning fortunes for consultants — if not for many businessmen who tried to

Historians may argue over how far this vortex of creative destruction was due to the actions of individuals and how far to forces which outstripped anyone's control. Yet, in business as in politics, the turbulent 1980s threw up certain individ-uals who stamped their personal mark firmly on events.

The routine assignment of judi-cial briefs handed Harold Greene, a hitherto little known judge at the Washington DC district court, responsibility for reshaping an entire US industry.
In enforcing the 1982 consent

decree which ended the Justice Department's anti-trust case against AT&T, Judge Greene supervised one of the largest corporate breakups in US history, involving the distribution of \$150bn of assets. Since then, he has exercised unequalled

power over the basic direction of US telecommunications policy.

Similarly, little in the earlier career of Lord Cockfield – a 68-year-old tax expert, retired managing director of Boots and unmemorable former UK Trade Minister. able former UK Trade Minister ~ marked him out as a man of the hour when he became European Internal Market Commissioner in

early 1985.

Though Lord Cockfield did not invent the single market plan, he made it credible. By basing its new rules firmly on liberalisation and

Guy de Jonquières assesses business people who have shaped the decade

Iconoclasts at work

























Rupert Murdoch

long-winded harmonisation, and by keeping unrelenting pressure on EC governments to approve them, he persuaded Europe to view the removal of its internal barriers not just as an ideal, but as an exhibatat-

Don Estridge

ing inevitability.
No one seized these new opportunities more flamboyantly than Carlo De Benedetti, the Italian financier/industrialist who first attracted international attention when he instituted the recovery of computer-maker Olivetti in the late 1970s. He was quick to grasp that Europe's internal barriers had led over many years to a substantial accumulation of under-exploited and under-valued assets behind national frontiers. If new management could gain control of those assets and use them more effi-ciently, he reasoned, both their owners and national economies

The most dramatic test of De Benedetti's tactics was his 1987 bid to acquire Belgium's sprawling Société Générale holding company. After months of struggling, his prey escaped into the arms of France's Suez group; since then De Bene-detti's drive to lead the restructur-ing of European industry seems to have lost momentum. His enduring contribution, however, is to have proved that large contested takeover hids can be mounted across continental European borders. Bold international mergers and

acquisitions were also the route by which Percy Barnevik rose in 10 years from comparative obscurity as an executive with Sandvik, a Swedish specialised toolmaker, to head the world's largest electrical engineering group. Its nucleus was ABB, formed by the merger which Barnevik master-minded between Asea of Sweden and Brown Boyeri

of Switzerland in 1988.

That deal, the largest in European history, galvanised an industry weighed down by vast excess capacity and a structure which had changed little for 40 years. The result was an avalanche of worldwide rationalisation as part of wide rationalisation, as part of which ABB also expanded further into the US by acquiring Combus-tion Engineering and Westinghouse's electrical transmission equipment business.

Meanwhile, much US industrial restructuring drew its inspiration, not from the boardrooms of great companies, but from Beverly Hills. This unlikely — but not wholly inappropriate — source was the chosen habitat of Michael Milken, certified worksholic and sole inventor of the junk bond market. His discovery that high-risk secu-rities could be sold successfully if they carried high enough yields

fuelled the wave of hostile takeovers and leveraged buy-outs which reshaped America's corporate land-scape in the 1980s. Without Milken and the access to finance he pro-vided, corporate raiders such as Carl Icahn and LBO wizards such as Henry Kravis could never have struck terror into so many Ameri-

can top managers.

At the height of Milken's success, issuing enough junk bonds to satisfy investor demand was his single biggest problem. Today, it is a 98-count federal indictment on charges of found real-technical and text less. of fraud, racketeering and tax law violations. Almost as uncertain as his own future is that of the market

Not all US business coups of the decade were based on financial engineering. IBM's entry into personal computers in 1981 was a textbook case of brilliant marketing, which revolutionised the market by

legitimising the machines as business tools. Unusually in a giant corporation, much of the credit was due to one man, Don Estridge, mayerick head of the independent divi-sion set up specially to handle the PC launch. Estridge, who died in an air crash in 1985, was the man who introduced bearded youths into the clean-cut buttondown world of IBM. It seems surprising that the fever-ishly inventive world of electronics produced so few truly memorable figures in the 1980s. That is due in part to a decisive shift in the focus of innovation, away from funda-mental laboratory breakthroughs by individuals and towards co-ordinated teamwork in applying multi-

ple technologies. Nobody mastered that shift better than the Japanese, who during the decade wrested from the US much of its industrial and technological pre-eminence. If Japan's rise was

symbolised in the west by one man, it was Akio Morita, outspoken chairman of Sony. He became a central figure in the increasingly tense debate over US-Japanese relations, harshly criticising American attitudes in a recent book.

However, the Japanese electronics industry's higgest achievement in the 1980s was in developing well hervard the consumer moducts in

beyond the consumer products in which Sony specialises, Koji Kobay-asht, with his vision of the coming era of "computers and communica-tions," was among the pioneers of that trend. As chairman of NEC until 1988, he made it a world leader in microchips, supercomputers, mobile communications and facsimile machines, and one of the first Japanese companies to establish Tadashi Kume played at least as influential a role in Japan's motor industry. As head of research and development at Honda, he transformed Japanese cars' image as dowdy products which sold mainly on reliability and price by pioneering indexity and bondals are design. gant design. As Honda's president for the past seven years, he has accelerated its expansion in the US, where it led the Japanese car industry in setting up local production. By comparison with Japan's industrial performance, Britain's economic "miracle" looks decidedly modest and fragile. Yet the UK's industrial recovery was undeniably one of the business stories of the

decade. Sir John Harvey-Jones probably contributed more than any other businessman to its impetus. ICI, under his chairmanship, shook up traditional management methods, refocused its businesses and pressed ahead aggressively with international expansion. Even more important, Sir John came to symbolise success to a wider audience. His achievements in the first half of the 1980s served to encourager les autres by demonstrating that in some sectors, at least, UK industry could still aspire to world-class standing.

No list of business prime movers

would be complete without Rupert Murdoch. By smashing the power of the British print unions, he hunched the country's newspaper industry into a new era of production technology and used the hugely increased profits from his own UK titles to finance plans for a

global media conglomerate.

An inveterate risk-taker, Mur-An inveterate risk-taker, Murdoch likes to pose as champion of consumer choice and enemy of entrenched monopoly power. His critics, however, accuse him of trying to build internationally just the kind of unaccountable media monopoly he claims to despise.

Mould-breaker or empire-builder? The question provides an appropri-

The question provides an appropri-ate epitaph for the 1980s, when many old business icons were shattered, but many new ones were also erected in their place. The 1990s may show whether the new prove any more durable than those that

Against floating exchange rates

From Mr Maurice Nadin. Sir, Professor Friedman sets out the case for floating exchange rates (FT, December 18), but not the case for fixed rates, under which exporters and agents dealing abroad in foreign currency make better

This was clearly explained by Paul Einzig 20 years ago in his book The Case Against Floating Exchanges. Indeed, Professor Friedman case had or Friedman says he is sceptical that a system of freely floating exchange rates

is politically feasible.

Bankers, who make huge profits out of floating exchange rates, are never in favour of fixed exchanges. Professor Friedman says it is only practi-

In his article on environmen-tal issues in Scotland (Survey,

December 15) Stewart Dalby made a number of statements

concerning forestry which

require correction.
Investors can expect, and

have achieved, higher financial returns than the 1 per cent

over 20 years which Mr Dalby

reports as a usual commercial return. Returns in the private

sector can be expected to be between 5 per cent in real

terms, assuming no timber price increases in real terms. It

seems inconceivable that trust-ees of pension funds (among

the long-term investors men-tioned by Mr Dalby) would pro-

ceed with an investment in

today's market conditions knowing that it would only

It is not true to say that con-fers are planted densely because of high winds. Wind is

yield 1 per cent.

-1

From Mr G.R. Wett.

Forestry in Scotland

cal to have our central bank if we had a truly unified European currency. Is this a threat

or a promise?
I would far rather have the value of the money I use properly maintained from the Bundesbank or arrywhere else, rather than badly maintained (as it is now) from the Bank of

England.
To Mrs Thatcher, the loss of sovereignty is all important. To the rest of us, an improvement in the management of our money would far outweigh any loss in prestige. Maurice Nadin Biackhouse,

certainly an important influ-ence on silviculture, affecting decisions on whether to thin or

not, but not on how many trees to plant per hectare.

Dense plantations of confers can restrict flora and fauna.

The trees are not the determin

US thrifts and banks

From Mr Richard Finchell.

Sir, Your leader on US thrifts (December 6) makes the point that "legislation is needed to restrict (Federal deposit) insurance to the depositor rather than the

It is generally accepted, not only in the US, but elsewhere, that supervisory control of assets (rather than liablities) is the key to safe banking. The US is not alone among developed nations in offering 100 per cent insurance of deposits in each selected bank. Canada has a similar system and its banking sector has never been in crisis. In western Europe, many countries provide a state guarantee, not only for 100 per cent of deposits, but also with-

out deposit limit. When the US government in 1938 enacted 100 per cent

deposit insurance, it had two objectives: to restore public confidence in the banking sys-tem and to disperse banking control over the economy as widely as possible by encourag-ing depositors to put their money in small as well as large banks. Despite huge losses suf-fered by both US banks and thrifts in recent times, deposits are at record-high levels. The fact that there are today 16,000 independent banks and thrifts must surely indicate that America's banking power is

For these historical reasons, it is unlikely that the US Congress would make the change you advocate in Federal deposit insurance. Richard Finchell,

North American Financial Markets Ltd, 28 Welbeck St., W1

Sir, A.J. Dawesey (Letters, December 13) is right to criticise British Rail's suggestion that there would be a delay in the introduction of safety measures at Kings Cross if Parliament were to postpone consideration of the Channel Tunnel

ing factor, but the density of the stocking. On better quality terminal bill. However he also says that "Parliament was misled about the need for a link when the land at lower elevations con-fers can be thinned regularly, providing better conditions for the development of a varied The lesson to be drawn from the Flow Country debate is

that forestry and conservation interests can work together. At a time when many natural for-ests are fast disappearing, there is a strong case for retablishing the woodlands that once existed in Scotland. G R Watt.

Channel Tunnel economics From Mr Charles Okeahialam.

Channel Tunnel Act was agreed — MPs should engage in no further debate about BR's proposals until the package as a whole has been

Early decisions on the economics of the Channel Tunnel took into account forecasts primarily based on aggregated data. Since 1987 most forecasts have been derived from disag-gregated data. One major bene-fit of the use of this data for Eurotunnel, cross-Channel

ferry operators, British Rall casters has been the ability to

casters has been the ability to analyse the effect of mode choice and switching (road/rail) by passengers and freight.

A high speed rail link was not deemed necessary in the Channel Tunnel Act because the trend in historic demand and forcesting methods did and forecasting methods did not suggest this. It is now clear that the build-

ing of the high speed rail link will improve the efficacy and increase the utility derived of the Channel Tunnel itself, ferry operations, transport net-works in the south-east corridor and (if extended) north-south flow of traffic in the UK as a whole. This should be welcomed and further debated publicly particularly in the House of Commons. Charles Okeahialam, Channel Tunnel Research Unit,

University of Kent

From Mr R.D. Rainbow. Sir, Surely the use of the word "zero" instead of "nought" on the telephone and radio causes confusion. Most of us tend to think only either numerically or alphabetically at a time. Shop staff and trave agents sometimes try to write down dictated telephone numbers with "z" (looking like a "2") rather than "0." R.D. Rainbow, 31-38 Abington Square,

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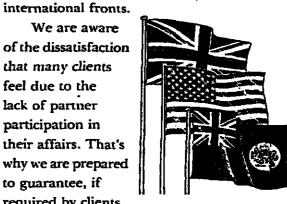
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Goodwill and conventional accounting

From Messrs Graham Stacy

*and David Tweedie.*Sir, Martin Walker (Letters, December 18) says our views on accounting for goodwill (FT, December 7) are incompatible with the conventional method of acquisition accounting. He then misdescribes the conventional method as "the purchase of a subsidiary is treated just like the purchase of any other asset; that is, the price of the acquisition is matched against the financial benefits gener-

ated by the acquisition." In fact, virtually no company accounts in this way and there is no convention that requires it. The cost of acquiring shares in a subsidiary is normally carried at cost until there is permanent impairment of the carrying value. As goodwill is mextricably bound up with the value of a company or business we believe that accounting for goodwill should be consistent

with this approach.

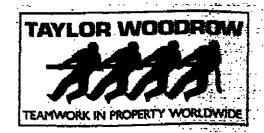
David Tweedie, Mr Walker also infers that

we make the assumption that the stream of benefits supporting goodwill will be perma-nent. We do not. We merely argue that there should not be an automatic assumption that they disappear "systemati-cally" over a predetermined period and that if they are maintained the goodwill does not need to be written off. Graham Stacy,

Southwark Towers 32 London Bridge Street, SE1 Dial again

FINANCIAL TIMES

Wednesday December 27 1989



Japanese central bank lifts discount rate

By Stefan Wagstyl in Tokyo

JAPANESE businessmen and investors yesterday reacted with relief to the Bank of lapan's decision on Monday to raise the official discount rate by 0.5 percentage points to 4.25 per cent, which ended uncertainty about the key monetary

policy instrument. The central bank's plans to change the rate had been publicised in advance by a row between the bank, which wanted an increase, and the Ministry of Finance, which did

The argument created considerable turmoil in the Tokyo markets, as Mr Yasushi Mieno, the central bank governor, and Mr Ryutaro Hashimoto, Finance Minister, made conflicting public statements.

Monday's announcement of the third rise this year brought relief to the markets. The Tokyo stock market rose 383.25 on Monday and a further 257.69 yesterday to a record

The yen firmed against the dollar.

Corrency and stock market traders said there was little possibility of another interest rate rise before the general election, which is expected to be held in late February. The central bank, however

intends to maintain a tight grip on liquidity to stem infla-tionary pressures created by the country's strong economic expansion.

Increases in price indices do not look excessive. According

to figures published yesterday by the Government's Management and Co-ordination Agency, consumer prices feil last month by 0.1 per cent from

October.

However, in Tokyo, consumer prices this month have risen by about 0.1 per cent.

The agency said that with a rise in oil prices, a decline in the yen, and the introduction of a 3 per cent value added tax in April, "the conditions that supported low price rises in the past few years have faded."

The central bank's concern is that increases in some parts

is that incresses in some parts
of the economy – including
land prices and wage rates
– could feed into other areas. Mr Mieno said there was "If we act after price levels have gone up, we would have to raise the rate by a much wider margin and that would have a grave impact on the economy," he said.

The financial establishement railied round Mr Misno, including the Finance Minister, who 4.25 per cent.

ing the Finance Minister, who hid whatever private doubts he may have had and said the

increase was "timely and appropriate."

Business leaders said the decision would have little direct impact on investment

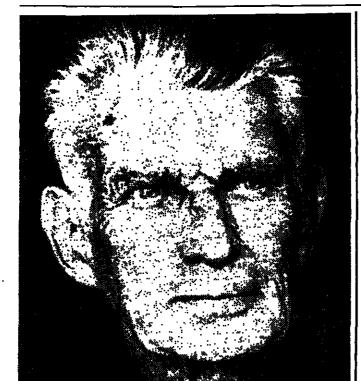
Nomura Real Estate, a subsidiary of Nomura Securities, said the effect on land prices would also be minimal given that supply was limited.

After eight years without an increase, the official discount rate has risen in three steps this year from 2.5 per cent to

The rate no longer has the same impact on markets as it did before because financial liberalisation has created large new, short-term markets with

The rate for three-month cer-tificates of deposit is hovering at just under 7 per cent – well above the official rate. But the official rate remains important as a powerful indica-tor of central bank policy.

Japanese surplus falls "are key to market stability,"



Samuel Beckett dies in France

By Anthony Curtis in London

Friday at the age of 83 and was burled yesterday in Paris. He was one of the most original writers of his time, inheriting a form of English prose thoroughly deconstructed by fellow Irishman James Joyce and refashioning it to serve his own sense of the human mind at the end of its tether.

Beckett's name became widely known in the English-speaking world with Peter Hall's 1955 London production of the enigmatic play Waiting for Godot: the Beckett cult was born overnight

The play, first written in French and produced in a small Paris theatre, was the sman raris theatre, was the work of a man who had been writing poetry and fiction in both languages steadily since 1930. An early volume of short stores More Pricks than Kicks was published in England in 1934 and his first novel Mur-

phy in 1938. The background of the literary rebel who would effect a shattering assault on the lin-ear novel and the well made stage play was wholly conven-tional and middle class.

He was born in the Dublin suburb of Foxrock, an affluent Protestant enclave. His father William Frank Beckett was a civil engineer, his mother May a regular churchgoer and ani-

Beckett went to the Portora Road school in Enniskillen where he acquired his love of cricket and of chess – both lifelong passions – and then in 1923 he became an under-graduate at Trinity College, Dublin.

His student mastery of French led him to the Ecole Normale and to a friendship in Paris with Joyce. He was never his secretary but he helped him with manuscripts and wrote a seminal article on Joyce's work in progress.
The handsome bright young
Irishman attracted Joyce's

daughter Lucia and the

SAMUKL RECKETT, the Irish novelist and playwright who made France his home, died on Beckett had thoughts of becoming an academic, and he wrote an essay on Proust, later

> But his heart was not really in university work; after a period in London where he ffered a breakdown reflected in Murphy, he returned to Paris as a freelance writer and remained there for the rest of his life. He lived with and later married_the pianist Suz-

> Beckett remained in France during the war, working for the Resistance for which he was awarded the Croix de Guerre. At the liberation he returned to his Paris apart-ment in the Rue des Favorits, where he lived until 1961 when he moved to the Boule vard St Jacques.

> The early postwar years saw the publication of his trilogy, Molloy, Malone Dies, The Unnameable, and then in the 1950s his growing international reputation as a play-wright with productions all over the world of Godot and Endgame. He was awarded the Nobel Prize in 1969.

> As his reputation increased, Beckett's work became ever more stripped to the bone and impenetrable. A huge aca-demic industry grew around it. Terms like the theatre of the absurd were employed in a vain attempt to elucidate works whose whole point was their resistance to facile critical explanation. But if critics were frustrated, actors and directors found marvellous material in Beckett. Jack McGowran, Patrick Magee, Billie Whitelaw and, in Germany, Klaus Herm have all enhanced their careers through his work.

Rappy Days, where the hero-ine remains up to her neck in sand throughout the entire play in a characteristic Beckett pose of immobility, is an imperishable classic of the

Gorbachev averts party split with mission to Lithuania

MR Mikhail Gorbachev, the Soviet leader, yesterday post-poned a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithuania to head

The emergency move, involving a whole team of the top Soviet leadership, came the day after he condemned the Lithuanian Communist Party for attempting to break away from the Communist Party of the Soviet Union (CPSU), charging that such an act could lead to the break up of the Soviet Union itself. It was decided after two days

of extraordinary debate in a full-scale plenum of the CPSU central committee, which once again brought a welter of con-servative criticism of the pro-cess of political reform, but falled to reach any conclusion about the fate of the Lithuanian Communist Party. Instead, the plenum gave unanimous support to Mr Gor-

bachev's rigid line on party unity, but postponed the trauma of an outright split until he has tried to use his own personal blend of persuasion and authoritarianism to wing round the rank-and-file Lithuanian Communists.

However, the Soviet leader would appear to have days, rather than weeks, to resolve the inner-party crisis, with another plenum to be summoned on his return.

All the indications are that the CPSU central committee will then move to expel the vast majority of the Lithuanian Communist Party, and in particular its leader, Mr Algirdas Brazauskas. That in turn may simply accelerate the process simply accelerate the process of Baltic rebellion, encouraging the Communist Parties in both Estonia and Latvia to follow

The seriousness with which Mr Gorbachev and his Politbure are treating the Lithuanian breakaway was revealed in a doom-laden speech which he delivered to the Central Committee on Christmas Day, and by Mr Vadim Medvedev, his ideology supremo, at a press briefing yesterday.
Mr Gorbachev rejected the

Lithuanian move as "illegitimate", declaring that one of the key elements in building a new Soviet Union was "the impossibility to reject the single structure of the CPSU. "If we cross this line, then

we can be said to be deliber-ately aiming at breaking up the Soviet Union," he said. "This would be a blind alley for all the nations of the Soviet

"The present party and state leadership will not allow the break-up of the federal state." However, Mr Medvedev, one of Mr Gorbachev's closest allies in the party leadership, insisted that any use of force

to maintain the union was still flatly rejected by the leader-

The Soviet Union had denounced the use of force and in its invasion of Afghan-istan in 1979, he said.

We did not do this in order to use military means to resolve problems in the Soviet Union. We stand for political solutions, and on the basis of that we are going to search for ways to resolve the proble of relations between different nationalities in the Soviet

At the same time he echoed Mr Gorbachev's words that the Lithnanian Communist Party's attempt to break away was a grave blow to the whole perestroika process - not least because it gave conservative opponents a weapon with which to attack the party

In what sounded almost as an appeal for Western backing, Mr Gorbachev warned that any threat of disintegration of the Soviet state could have dire international consequences. "The existence of a single,

firm and powerful Soviet Union is the pressing need of system of international security. No one can be interested in this system's disintegration, come in handy. that is fraught with the desta-bilisation of the political situa-

Israel raids Lebanese bases

By Hugh Carnegy in Jerusalem

ISRAELI FORCES struck deep into Lebanon yesterday in two separate raids which the military said were aimed against Lebanese Communist Party bases involved in launching attacks on Israeli troops and

their local allies in Southern
Lebanon.
In the biggest raid involving
Israeli ground forces since
commandos attacked a Palestinian base near Beirut in early December 1988, combined ground and air units swept down on two villages in the southern Beksa Valley in the early hours of yesterday morn-

mobile armour drove north from the border security zone occupied by Israel and airborne troops and helicopter gunships joined the raid on the villages of Libaya and Kiar Mishki, fir-ing dozens of shells and rock-

The Communist Party and other Syrian-backed groups such as Hizboliah, the Moslem fundamentalist militia, are active in the area.

owthern Beksa Valley in the action, with no Israeli casualties. Later in the day, Israeli fighter aircraft attacked and

Israel said a number of "ter-rorists" were killed or wounded and Communist

destroyed the south Lebanon headquarters of the Commu-nist Party in the Syrian-con-trolled village of Rmaileh, 20 miles south of Beirut, in the 16th air strike into Lebanon

this year. Singling out the small Lebanese Communist party was unusual Most Israeli raids into Lebanon are against Palestin-ian or Moslem Fundamentalist

groups.
But Israeli military officials said the Communist Party had been involved in recent attacks on their forces in southern Lebanon Israeli budget: Tutu visit.

New Romanian government sworn in

capital, where many central buildings are burned out or pock-marked by the thousands of bullets and shells fired by the army against the security forces sniping from windows

and rooftops.

But the execution of the Ceausescus and the near elimi-nation of the Securitate, do not appear to have secured the position of the new administra-tion. The Front yesterday appealed on television for peo-ple to boycott a big protest called for later in the day. "Conditions are not right for a demonstration," said the appeal, demouncing the demonstration as provocative.

However, the appeal has been shunned by the two new parties that have already been

formed in recent days. One group, the Romanian Democratic Party, which was formed on Monday, said demonstra-tions were the only way to place their programme before

The other, the National Christian Peasant Party, which also announced its formation on Tuesday and which includes the leading desident Ms Doina Cornea in its ranks, called for "the moral rehabilitation on a Christian and peasants." ant foundation, which for 2,000 years proved to be the Romanian nation's backbone."

Nevertheless, the new Administration is already advertising a political programme for the country, which includes the holding of elections in April next year. The

new vice president, Mr Dumitri Mazilu, said yesterday that the government would abandon President Ceausescu's contro-versial plan to demolish thou-sands of villages. The former President attracted international condemnation for his plan to rehouse peasants in modern agro-industrial com-plexes. Hungary in particular saw it as a ploy to force the assimilation of Romania's 2m ethnic Hungarians.

Switzerland's Justice Minis-try said on Sunday that it had ordered a freeze on any assets the dead dictator might have held in Swiss banks,

A Geneva newspaper reported on Saturday that there were rumours that the Ceausescu family had stashed \$400m worth of gold in Zurich.

US bid to freeze Noriega assets

Continued from Page 1 might be willing to grant asymight be willing to grant asy-lum, but its embassy in Pan-ama – like that of Nicaragus – is ringed with US troops and armoured vehicles.

The fats of General Noriega will be the first test of the authority and independence of the new government of Paget.

the new government of President Guillermo Endera. A matter of hours before General Noriega turned up at the gate of the Vatican nun-ciate Mr Endara said he would not extradite General Norlega

Daiwa suspends business Continued from Page 1

month and will be done through "self-restraint." The Finance Ministry has been concerned by the damage to smaller investors' confito smaller investors' confi-dence by discrimination in favour of large corporate cli-ents and had asked Daiwa to explain in detail why and how the losses were transferred to the unlisted subsidiary, Sankyo Engineering, a securi-ties sales company

ties sales company. Daiwa apparently sold 375,000 shares in its unlisted building management com-pany to Sankyo and allowed

the company to sell the stock at a Yilbn profit to financial institutions to cover the trading losses. Sankyo is reported to have retained the surplus profit as payment for its work.

The four officials to resign

were directly implicated in the case, which the company has said arose from the over-zealourness of a salesman. executives to take pay cuts to show that they take a share of blame even if they are not directly responsible for serious

Refining the price of commodities

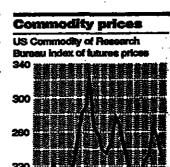
After the inflationary trauma of the 1970s, the long economic upsurge of the 1980s has been partly due to the restraining effect of low commodity prices The 1990s may not be able to repeat the trick. The price of oil, easily the most important reference point, is again nudging \$20 a barrel: though OPEC's machinations are hard to predict, few are expecting a return to the mid-1980s lows. And two issues which seem set to dominate the 1990s - the environment and the transformation of the Comecon bloc seem set to push up other commodity prices.

Metals have taken some time to recover from the effects of the two oil shocks, which forced industry both to be more efficient in their use and to turn to substitutes. But the long hill in prices has made producers reluctant to invest in finding new deposits. That reluctance has been intensified by environmental pressure, ich both increases the cost of production and reduces the potential number of sites. On the demand side, the newly industrialising countries now constitute a growing 20 per cent of world metal buying interest. With Eastern European demand for consumer goods being released in the 1990s, that should be good for metal prices, too.

Soft commodity prices are heavily dependent on the weather. Whether or not one believes in global warming, the world does seem to be in the middle of a period of climatic extremes. Such wild weather is bad news for crops and for farmers, who tend, partly because of government subsidies, to be slow to adjust. Taken with a growing distaste in Western countries for the in western countries for the excessive use of fertilisers and insecticides and with little evidence of a new "green revolution" in agricultural technology, this suggests that there is limited scope for improvement in crop yields in the 1990s. On the demand side, world population is still growing inexorably. tion is still growing inexorably. In Eastern Europe there is substantial pent-up demand for food which the new leaders adds up to demand pull infla-tion; those books on current cost accounting might yet

Reader's Digest

There have been so few size-able new issues on Wall Street over the last few years that the sight of The Reader's Digest Association tapping the market for upwards of \$500m is of more than passing interest.



According to IDD Information Services, the \$13.6bm of US initial public offerings this year is 40 per cent lower than in 1988. If the various specialist trust offerings are omitted, the sale of a fifth of Reader's Digest is the second biggest new issue after Lyondell Petrochemical Like Walt Disney, which floated off a substantial chunk of Euro Disneyland earlier this year, The Reader's Digest is a household American name

instantly recognisable the world over. Whether the inter-national flotation will be a runaway success like Euro Disney-land is quite another matter. With annual revenues of \$1.8bm and net income of \$151m, it is not much different in size from other famous US media proper-ties like the New York Times, Dow Jones, Washington Post and McGraw Hill. And at \$20 a share, the shares would be sell-ing on a yield of 2.4 per cent and a historic multiple of 15.6, which is not much out of line with the sector. The company is issuing non-voting stock, but this should not deter since many US media companies have funny voting structures to prevent control changes.

The hig worry for potential investors in The Reader's Digest is whether the great times for the world's most widely read magazine have passed or are yet to come. After all, it is only five years since the editor-in-chief was removed after publishing a critical article of Ronald Readers of the control of the c gan, entitled "Mr President, this isn't Russia." The editorial goal to inform, educate, inspire and entertain has changed lit-tle over the years. To date, it has been a successful formula.

which has stood up well to changing fashions. What has changed is the financial performance. Since new management took over in 1984, the workforce has been cut by a fifth, operating mar-

gins have quadrupted and though revenues are only up by 40 per cent, not become has jumped more than seven times. But there are signs that most of the benefits of this necessary house cleaming have been squeezed out. Last year operating profits fell by 3 per cent on a 7 per cent rise in revenues: the trend has continued in the

the trend has continued in the current financial year. Meanwhile, the diversification into special interest magazines is proving difficult and operating losses have risen from \$1m in 1986 to \$17.2m last year.

The Reader's Digest's strengths should not be underestimated. Apart from its preeminent position in the US, it is one of the leading magazine and book publishers in Europe and one of the world's leading direct mail marketers. Its customer base of over 50m US tomer base of over 50m US households, along with its name, must be its most power-

Nevertheless, its success still depends on the continued depends on the continued health of a magazine whose circulation has stopped growing, and nearly a third of whose subscribers need to be replaced each year. The demise of once-powerful US magazines like Life, Look and the Saturday Evening Post plus the day Evening Post, plus the expensive problems news-weeklies like Time and Newsweek face in maintaining cirsweek face in maintaining circulation, are reminders that the rewards in running great US magazines can be transitory. Meanwhile, the voting restrictions mean that predators like Mr Rupert Murdoch or Mr Rupert Murdoch or No Robert Mayroell are reversed. Mr Robert Maxwell are never going to be able to take over the digesters.

Markets

Here is a modest suggestion for fund managers in 1990. For the first six months, run the the first six months, run the fund on a passive basis. Then dump all the stocks and sectors which have performed best and pile into the worst. This year, the FT-SE's 10 best stocks in the first half went on to underperform the market in the second half by an average of 11 per cent. The 10 worst outperformed by 8 per cent. Getting the switch right would have been worth a Christmas have been worth a Christman

those which kept going. Reu-ters, up 28 per cent against the market in the first half and a market in the first har and a further 20 per cent in the second; and Guinness, which was fourth best performer in the first half and went on to be top FT-SE stock of the year. Both stocks, the contrarian would suggest, have done too well to be worth beauting now. be worth keeping now.

A PAGE

Sumitomo Trust Interim results to 30th September 1989

	Millions of Yen 6 months ended 30th September 1989	Millions of Yen 6 months ended 30th September 1988	Millions of Yen Year ended 31 st March 1989
Income before Income Taxes	¥ 83,878	¥ 79,768	¥ 156,664
Net Income	40,143	37,764	73,584
Total Assets in Banking Accounts	18,002,176	14,075,709	16,593,915
Total Assets in Trust Accounts	30,768,916	26,406,942	27,740,572
Interim Dividend	¥ 4.25 per share	¥ 3.75 per share	¥ 8.00 per share

Principal Developments for the Period

- Steady and continued growth
- Opening of new Representative Offices in Chicago and Paris
- Listing on The London Stock Exchange
- Mr Hayasaki elected President

Interim Financial Statement for the 6 months ended 30th September, 1989 will be available upon request from December 31st 1989. Please direct enquiries to the address below.

Sumitomo Trust & Banking Co., Ltd.

62/63 Threadneedle Street, London EC2R 8BR. Telephone: 01-628 5621/9 Fax: 01-588 1601

WORLDWIDE WEATHER



FINANCIAL TIMES COMPANIES & MARKETS

Wednesday December 27 1989



INSIDE

In celebration of the unconventional



While most people were doing their last-minute Christmas shopping last Saturday, Mr Jean Gandois (left) was flying from Paris to a grim, wind blasted goestel wind-blasted coastal plain near Dunkerque. There he laid the first stone of a new aluminlum smelter for the French state-owned Pechiney. The move has

surprised many industry analysts, who argue that there is no scope for new European production in this sluggishly growing industry. So why do it? "I like to do things that interest me," quips the 59-year-old Mr Gandols before surrendering to another of the gales of laughter that punctuate his conversation. William Dawkins, in Paris, examines the reasons for Pechi-ney's audacious move. Page 15

The seeds of uncertainty

The world's seeds business is still in a sickly state. No one knows if this fledgling high-tech industry is going to flower vigorously or wither at birth. Such uncertainty was underlined recently when Royal Dutch/Shell, the oil and chemicals group, said it was considering putting its Nickerson International Seeds Company up for sale, This was a venture to which Shell had previously appeared to attach con-siderable importance and the move highlights edginess within the industry. Peter Marsh

Market Statistics

Companies in this section

Banco Santane Boeing Braithwaite British Petrole

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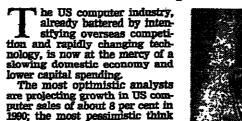
Local London Group Nissho Iwai Noble Raredon

Chief price changes yesterday

633 + 8 465 + 12

Here come the years of living dangerously

Louise Kehoe assesses problems facing the US computer industry



are projecting growth in US computer sales of about 8 per cent in 1990; the most pessimistic think it could be as low as 2 per cent. The effects of the slowdown on an industry which has been used to annual growth rates of 30 per cent, or more, is proving dra-matic. In the past year, the num-ber of workers in the US industry ber of workers in the US industry has been slashed by over 40,000, with lay-offs at Wang Laboratories, Unisys, Control Data, Data General and Prime Computer.

International Business Machines, the largest computer manufacturer in the world and the beliwether of the US industry is not immune to the mal-

try, is not immune to the mal-aise. Its recently announced plans to reduce its US workforce by some 10,000 people through early retirement, and attrition is only the latest stage in a profound restructuring designed to boost competitiveness.

It is proving a traumatic experience. "Stress and turmoil" were the words chosen recently by Mr John Akers, IBM's chairman, to describe the state of the US computer market.

Colleagues and competitors agree. "In the 1990s there will be vicious competition in the computer industry," predicts Mr Andrew Grove, president and chief executive of Intel Corporathe microprocessor group.He foresees a major shakeout among computer makers in

out among computer makers in the next few years.

Developments in chip technology of the kind pioneered by established semiconductor companies like Intel and Motorola and by start-ups like MIPS are at the heart of the industry's troubles. They have reduced the cost of computing power by a massive factor and left those companies tied to older technologies in a particularly vulnerable position.

No manufacturer is immune No manufacturer is immune from the microprocessor revolu-tion. The chips that created the personal computer are now find-ing their way into minicompu-

and even supercomputers. Dozens, sometimes hundreds of chips are wired together to per-form computing tasks that traditionally required the power of a larger, more expensive computer. Worst hit so far have been the facturers whose business has been usurped by lower-priced microprocessor-based PCs and

The overall figures for the



ductors is about to happen with computers. The Japanese, and not far behind them, the Koreans

and Taiwanese manufacturers

are gearing up to produce com-puters for the US market."

There are clear signs that the

Japanese computer industry is gaining ground. Five Japanese

companies now rank among the top 20 in the world, up from three

a year ago, according to a recent report by Arthur D Little, the

hat does the immediate future hold for US computer manufacturers?

In the 1990s, computer hardware technology will continue to improve, but with the trend

toward standardisation it will

become a less significant factor in determining the success and profitability of computer compa-nies, analysts predict. Instead, computer companies will increas-

ingly rely upon software, distri-bution and service to differenti-ate their products.

integrating computers into com-pany-wide systems and creating

pany-wide systems and creating new applications. Distribution channels for computers are expected to change radically as large computer makers are forced to find new ways to deliver low-er-margin hardware products to the customer. Service and customer support are also growing in importance as impresses come

to rely upon complex networks of

computers running sophisticated applications.

The question remains how well

today's market leaders, compa-

New software will be the key to

ent consulting group.

growth of computer sales concean a marked disparity in growth rates for the different segments of the industry. Sales growth in minicomputers, for example, has virtually ground to a half; the same is broadly true of the mainframes. Analysts think growth

might reach 1 per cent next year.

Over the past few years, the overall growth rate has been maintained by a sparkling performance from the microcomputer sector, but even the PC market is slowing down. Apple Computer's recent projection of lower than anticipated sales over the Christmas holiday season signals that consumer interest in computers may be waning. Retailers and manufacturers

are scrambling to increase sales with deep discounts and attrac-tive credit terms. Apple Computer is offering shoppers a free 30 day trial of its machines, while IBM is advertising cash refunds ranging from \$50 to \$200. Storeboard, a market research

firm that tracks retail PC sales, says unit growth slowed this year from about 22 per cent in the first quarter to 5 per cent in the cur-rent quarter. The group is proj-ecting growth of just 2 per cent in the first quarter of 1990.

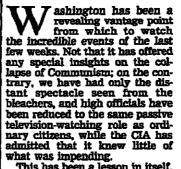
s the domestic market slows, US computer makslows, US computer max-ers are focusing more of their efforts on overseas markets. The export push comes, however, at a time of increasing trade tensions between the US and Europe, and a continuing trade battle with Japan.

Many observers believe that the difficulties faced by the computer industry will exacerbate trade tensions already fuelled by complaints from the US semicon-Like the chip makers, the US

nies like IBM, Digital Equipment and Hewlett-Packard will adjust to these changes. There are plenty of competitors like Sun Microsystems and Compaq Computer of the US or Toshiba and Fujitsu of Japan ready to pick up their mantle if they faiter. computer industry also faces mounting competition from Asia. Mr Grove, of Intel, warns:

The end of economics and after

By Anthony Harris in Washington



what was impending.

This has been a lesson in itself, though; a footnote to 1989 may describe it as the year which saw the end of the beltway illusion the belief that this the capital of the world, and that everything worth knowing can be learned at a power dinner in Bethesda. "You know, I've found myself in line waiting to talk to think

in time watting to talk to think tanks, or calling parish priests, to get some idea of what's going on," an American colleague remarked in wonder. For a foreigner, outside the circle of intimate top-level briefings, it has been good for the soul to hear such things. President Bush, who has been trying like an American has been trying, like an American Canute, to persuade his courtiers that America now long rules the tides, may also find some comfort in this new humil-

However, an economic commentator has nothing to boast about. For us, the humiliation goes much further back. When I first joined this profession, we were the acolytes of the high priests, the expert who understood how to run the machine. This was a forgiveable illusion in the post-war decades, fears of a post-war slump were made to look foolish in unprecedented growth. Clearly, the arrange-ments at Bretton Woods, inspired by our particular god, John May-nard Keynes, had unlocked the secret. Now we find ourselves up in the bleachers, too.

The strains of the 1960s and the chaos of the 1970s taught us that deficient demand was not the only economic problem; but 1979 looked like the watershed that 1989 has proved to be. The young believed that the new conservatism, and the revived 19th century beliefs in monetarism and supply-side economics, would put matters right.

These doctrines look pretty foolish now. Supply-side is out of fashion, and most commentators only use the word "monetarism" paired with the qualifier "simple-

minded". But the older commentators who denounced these notions from the start - remem-ber "Voodoo economics"? - cannot feel smug. Despite misman-agement, the developed world has remained obstinately pros-

This history provokes subversive thoughts. Can it be that economic policy does not, after all, matter? Do all the bad forecasts mean the whole discipline is founded on sand? A State Department official has dramatised his own impotence by describing 1989 as "The end of History." The whole decade might just as aptly be called "The end of Economics"; but that thought would not get quoted. Nobody cares, much. Both self-pitying conclusions are wrong, of course. What has bappened in the 1980s, and especially in the last year, is simply the discarding of some old ideolo-gies. Political commentators are already mapping the next historical era in terms of population pressures, environment, and education. Economic commentators cannot be so self-confident - we are still defining the questions that have to be addressed, and will have to wait for answers. The questions themselves are

interesting, though.

What has really been dethroned is the computer. The big development of the post-war era was the computable model; it has developed to higher and higher levels of sophistication, until only high-level mathemati-cians can join in the debates. The result has simply been an impressively accurate picture of the world with all the interesting

t measures trends but misses

turning points; it can fore-cast GNP, but not that fate of particular industries, inflation, but not exchange rates. It is baffied by questions of high finance, of industrial structure, and of personal behaviour. And it is get-ting worse at the things it still does well, a poetic victim of the ideological wing of the profession. The new conservatism declared war on bureaucracy; one result has been a headlong decline in the quality of official statistics, raw material of modeli-ers. Garbage in, garbage out. This may all look a bit hope-

less, but really it is a healthy development. A whole new wave of economists is waking up the need to stop calculating, and start thinking about fundamen-



tals again. Central bankers are already in the new wave, con-cerned less with mechanistic rules than with the baffling questions of prudential supervision -distinguishing between speculative and productive lending, learning the psychology of mar-ket swings and the mathematics of swaps and futures, and the hard grind of debt work-outs. Mr Bush's Panama adventure may subject them to a crash course in the next few months, as relations with the Latin American debtors become more confrontational.

cademic economists have more time to get their more time to get their ideas into order, but the results could before long be important again. One field which readers of this column have visited rather frequently is the study of demographics, which may offer whole new insights into long-term swings in savings, growth and inflation. Students of fiscal policy are becoming seri-ously interested in wealth effects, especially in the housing market These and other studies could prevent nasty surprises in

national policy.

Macro-economics now means global economics Far too much past analysis has been based on a lost world of fixed exchange rates, a small international trade sector, and regulated capital flows. Indeed, a central weakness of computer economics has been

of computer economics has been the need for long runs of data, which bridge fundamental changes in the ground rules. Monetary theory is still trying to catch up with a world of float-ing interest rates, which abolish the distinction between short-and long-term lending. Interna-tional financial theory is begin-ning, at last, to produce some ning, at last, to produce some real insights into the world in which exchange rates are domi-nated not by trade, but by expected returns on investment.
Free exchange rates are thus fundamentally unstable, and for

once the practical men are leading the theorists in confronting this fact. Finally, a glad farewell to some of the "heroes" of the fashions of

the 1980s - to the speculative bankers, junk-bond issuers, insider dealers, asset dumpers and others who have made the decade in which financial institutions became dependent on life-support. They had to be cleaned off the slate to make a more constructive decade in the 1990s possible.

Economics Notebook

Britain as a monetary tortoise

tary union in Europe.
After Emu emerged as a big issue in the summer of 1988, Mr Jacques Delors, the EC commission president, made all the running in its support, at the expense of Britain's tortoise like financial diplomacy. But in recent months, the UK

The Treasury's concept of an evolutionary approach to Emu through competing monetary policies has begun to look a little less outlandish than when first floated by Mr Nigel Lawson, the former Chancel-

has begun to recover some

lor, in September.

Meanwhile, Mr Delors' vision
of institutional progress towards a European central bank, which dominated discussion on union for most of 1989, has lost

The EC Strasbourg summit earlier this month has turned out to be a setback for Mr Delors. The summit put off until the end of 1990 the start of the inter-governmental conference for preparing the EC ents that will be necessary for economic and monetary union on the Delors

model.
This delay, necessary to spare West Germany's Chancellor Helmut Kohl problems ahead of the German elections, looks likely to slow the drive towards union. The recent dramatic developments in eastern Europe and their probable impact on Germany are providing strong arguments against the EC rushing into new institutional developments.

Since Strasbourg, prepara-tion of the IGC has been entrusted to the EC monetary committee. This could consti-tute a second setback for the Commission president. The monetary committee, which

THIS HAS been the year of the tortoise and the hare in the drive for economic and mone-drive for economic and mone-drive to Province to Pr ideas. It effectively smothered the plan to develop a European Monetary Fund in the two years after the start of the Kuropean Monetary System in March 1979.

The ambitious plans of Mr Karl Otto Pohl, the Bundesbank president, to foster co-or-dinated monetary policies in the EC through the Committee of European central bankers are likely to be another brake on Mr Delors' ambitions. Mr Pöhl, who recently took over the chairmanship of the committee for three years, is strongly opposed to the institutional way forward to union, would have liked the start of the IGC to have been delayed beyond 1990 and has spoken warmly of aspects of the Brit-

The governors have a highly developed system of co-operation that could give them a head start over Mr Delors in devising a pragmatic way

The French and West German central banks have already discuss their planned monetary targets with the am of making them compatible. Mr Pöhl has suggested that their committee could become the "nucleus" of a future central

Finally, the softer tones emanating from Number 10 Downing Street about Britain's eventual entry into the EMS exchange rate mechanism have helped boost the credibility of the Government's policy. The competing monetary policies scheme, in which "good" policles would drive out the "bad", is a development of the exist-

ing EMS.
But Britain has not won the argument. Mr Pöhl, for example, has stated that the competing currency idea is no alternative to the Delors report. Indeed, the Government has probably done little more than recoup ground lost through inept financial diplomacy ear-lier this year.

By flatly rejecting the Delors Committee report on the day of its publication last April, Mr Lawson prompted wavering countries in the EC to side with the enthusiasts for mone-tary union in the subsequent

The British stance also ele-vated the Delors report to the status of a blueprint for Emu. Subtle warnings about Emu's dangers which had been inserted into the text by the central bankers on the Delors committee were lost from view in the polarisation of positions that followed the former Chancellor's outright rejection of the report.

the report.

It is likely that the British government will find it difficult to persuade its EC partners to drop the Delors prescription of a common currency and central bank so long as the UK stays outside the EPM

Moreover, ERM entry would not solve a more fundamental difference of views. While apparently willing to join the ERM, Mrs Thatcher remains violently opposed to the idea of a federal Europe. Here she is out of step with some of those who she likes to think of as

"I think I differ from Mrs Thatcher," said Mr Pohl in a BBC television interview recently. I think the time for nation states is over. What we will see in Europe in my view is a kind of federation of independent states, but within a framework of some kind of political union. And in this framework you could also envisage a European Central

Peter Norman the most recent information on the indicators has been incon-

THIS WEEK

THE ECONOMIC highlight of a week severely truncated by the Christmas holiday will be the UK trade figures for November,

due out on Friday.

The hope among City analysts this week is that the cur-rent account data will provide some much-needed Christmas cheer. Although the range of forecasts by analysts appears wider than normal, stretching from a current account deficit of £1.3bn to £1.8bn, the consensus is for £1.5bn, according to MMS International, the finan-

cial research company.

This would represent little change from October's deficit of £1.54bn, which, when released late last month, raised City hopes that Britain's trade performance was at long last showing signs of fundamental The main source of guarded

optimism about the trade out-look has been the recent performance of exports. In the three months to October vol-ume of exports, boosted by the weakness of the pound against leading currencies, grew by 3 per cent on an annual basis. This was double the 1.5 per cent growth reported in import volumes over the same period. If this trend were to be maintained, the trade gap could nar-row significantly next year. The Treasury itself expects the annual deficit to fall from an estimated £20bn this year to £15hn in 1990. The Confederation of British Industry is even more optimistic. It forecasts a deficit of £13.8bn by the end of

On the import side, analysts are confident that the sharp slow-down in consumer spending this year will be maintained in 1990. This should reduce the flow of imports into Britain, further helping to redress the trade imbalance. In the US, the latest leading indicators for the economy, widely regarded as an accurate pointer to future trends, are released on Friday. London broker James Capel notes that

UK trade balance Current account deficit (£bn)

Balance of payments (£bn) Imports Exports

clusive. Stock prices rose last month, M2 growth was rela-tively strong and unemployment claims increased, said James Capel, which expects no change in indicators in Novem-

The MMS International con-sensus of forecasts is for a fall of 0.1 per cent in the leading indicators, to follow the 0.4 per cent decline in October. In West Germany, during the week the cost of living index

for December is published. City analysts expect a rise in the index of 0.2 per cent, similar to the increase in November. This would keep the annual inflation rate at 2.9 per cent.

A host of statistics from Japan will be released during

play will include retail sales, industrial output, housing starts, unemployment, consumer prices and the current E all for November. Two important sets of figures are released in France this week: the trade balance for September, and the unemployment rate for October. UBS Phillips & Drew expects a trade

Christmas week. Data on dis-

deficit of FF13bn and unemployment of 9.5 per cent. Today: Japan, investment in foreign bonds for November (\$14.9bn recorded in October). Tomorrow: UK, new vehicle registrations for November. Friday: UK, energy trends for October. US, leading indicaThis announcement appears as a matter of record only

November 1989

WILCOMATIC Washing the Way Ahead!

£9,800,000 Senior Debt and Working Capital Facilities to Fund a Management Buy-Out

Arranged by

National Westminster Bank PLC Acquisition Finance Unit

Underwritten by

National Westminster Bank PLC

Equity Finance Arranged by Phildrew Ventures

NatWest Acquisition Finance Unit

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

The year of the Japanese equity warrant

In the short term this has

Positively, however, the

development of technology and the application of the AIBD's Trax trade matching and

reporting system are leading inexorably towards more trans-

parency. That will make it ever

harder for lead managers to obfuscate as it will be increas-

ingly obvious to all concerned

how a new issue is progress-

Nevertheless, 1989 will be

remembered mainly for the

First Boston carried out a

short squeeze on an Eculoom

deal for Toyota Motor Credit

Corporation. Traders in the

market had sold more bonds than they owned, and CSFB realised that it owned commit-

ments totalling Ecul20m. It

109 to punish the guilty par-

Primary Markets Association,

ble for market practices among new-issue houses, investigated

the practice of price stabilisa-

As a result the International

trade organisation responsi-

sed the price as high as

done nothing to improve the transparency of the primary

IT HAS been the year of the Japanese equity warrant on the Eurobond market. Not only did the instrument dominate the limited profitability of underwriting houses, but at the end of the year its threat-ened demise raised the spectre of contraction and shake-out on the wider market.

The accelerated intention of the Japanese Ministry of Finance to take greater control over the equity warrant business was a neat and telling assertion of economic reality after months during which Eurobond houses had engaged in tetchy discussions of syndication techniques and business procedures.

At the time these diverting, sometimes entertaining, dis-cussions seemed fundamental

to the market's future. The underwriting banks were loudly examining the way they exposed their increasingly precious capital to the highrisk world of the bought deal against a background of vola-

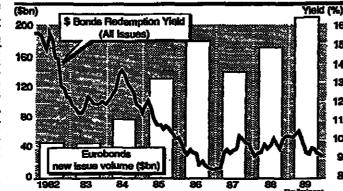
A few months later, almost belatedly, participants realised the ground had been shifting beneath their feet even as they

argued.
The debate over syndication was really an attempt by larger banks to address the role played in the market by lacked wide distribution and placement power and were ccused of free-riding. Big banks wondered how they might reform market practices to squeeze the smaller competi-

Whatever the political battles underlying the manoeuvring, the Japanese have effec-tively delivered a reminder that the strongest squeeze will inevitably come from Tokyo, either in the form of restrictions on off-shore equity war-rant business or in the growth of the domestic yen warrants

Given that recent developments have indicated the possible concurrence of these trends, the squeeze could be on its way within a year. It will be painful. And it will

be the smaller banks that feel More generally, 1989 was the year of equity-related deals in general. Many fixed-rate issues failed to materialise according to borrowers' wishes, investor demand was elusive and temporary and economic funda-



mentals were unfavourable. Much of the profit drawn away from the Japanese warrant sector came from convert-ible deals, or even straight

international equity issues.

Behind the scenes, the growth of the private placement business suggested the Eurobond market was still struggling to swerve around the greater regulatory interfer-ence implied by a more assertive Association of Interna-tional Bond Dealers.

The problem of regulation will be an enduring one for the Eurobond market. Late in the year the issue of compliance came to the fore as lawvers suggested that what a lead manager says about a new issue could inadvertently constitute a breach of the law. Discussion was complicated

syndication debate and the launching of the fixed-price reoffered underwriting method. it will also be remembered for a series of innovative, controversial and revealing deals which spoke volumes about by overlapping jurisdictions. the market: • In February Credit Suisse

1989 will be remembered for the syndication debate, the fixed-price underwriting method and a series of innovative and controversial deals which spoke volumes about the market

market, however, led to a noticeable increase in Eurobond lead managers' reticence. In particular, many banks ne unwilling to comment on the placement of their issues - who had bought the bonds and how much remained to be placed.

Even UK laws are clear about what constitutes an offence. As long as banks tell the truth, they are within the law. Unfortunately,too many players have decided they pre-fer to say nothing at all rather than risk a misunderstanding.

stop abuse by unscrupulous • Also in February, a series of high-coupon Australian-dol-

lar denominated dual-currency issues caused controversy when it was claimed that many retail investors did not understand the risk attached to the borrower's currency option. The highest coupon was 20% per cent on a deal for Banque Générale du Luxem-

● In April CSFB took a calculated risk and ruffled feathers when it brought a £400m 25-year issue for the Republic of Italy. Institutional investors in the sterling market boycotted the deal, saying the pricing

was absurdly tight.

CSFB challenged them to ignore what it said would be a benchmark deal, and argued the institutions were upset because their cozy world had been jolted.

Six months later the bonds were trading very comfortably, and the sterling market was looking more competitive than

spotlight in May when it upset rival banks by withholding underwriting fees on a deal for ICI, informing the banks moments before it launched a new ICI issue. Cynics accused it of exploit-

ing a deadline for reform of market practices disallowing the deduction from fees of expenses incurred in supporting the price of a new The debate over syndication methods moved up a gear.

• J.P. Morgan stayed in the limelight in June, bringing pos-sibly the most innovative deal

of the year, an exchange issue for the Republic of Finland. A basic \$250m seven-year deal carried a novel offer whereby Finland allowed investors to switch out of some of its small previous deals, thereby replac-ing several old bonds with a single large and liquid new There was some controversy

rival banks argued that investors not wanting to exploit the offer would be left with the illiquid rump of the existing deals. Take-up of the issue was smaller than expec-ted, but still enough to make the deal a success. The final issue size was about \$525m.

• Fears about event risk and leveraged buy-outs largely

tion by lead managers of new killed off the market for corpo-issues and changed the rules to rate bonds until late in the year, when a few deals carrying specific investor protection against event risk met good

receptions. • A long-term marker was laid down in September by the World Bank with its successful \$1.5bn global bond issued jointly in the US and interna-tional markets. Before it could be launched, however, Morgan Stanley stunned the market by introducing the US-style fixedprice reoffer method of syndi-cation on a \$500m deal for New Zealand. "The talking is over. at last there is action," said one banker.

● Worries about the possible legal implications of keeping quiet about an unsold position in a new issue led Baring Brothers to announce that only 55 per cent of a domestic UK deal for Allied Lyons had been placed. Compliance became a hot topic and underwriting banks suddenly discovered a new excuse for keeping quiet about deals

• Italy upped the stakes in October by bringing a \$1.5bn jumbo issue via Morgan Stanley. It tested the fixed-price reoffer technique (but not too severely) and carried significantly lower fees for under-writing banks.

 In November Merrill Lynch brought a \$500m reoffered deal for GMAC that really did test the new method. Two leading supporters of the technique pulled out of the deal at the last minute, ostensibly on price grounds, while the bonds were launched on to a weak underly-

The deal survived and per-formed creditably. But bankers began to remember something they had lost sight of during months of debate - sensible pricing remained the key to success and arguments about syndication were irrelevant if pricing was correct.

 In mid-December Daiwa was accused of trying to climb league tables when it launched a \$400m deal for the Republic of Austria, an accusation it hotly denied. Traders said the issue stood out because, in general, there was little blatant league table business during the year. That was a welcome change and perhaps an indica-tion that banks can no longer afford to buy business as they

Andrew Freeman

Federal Reserve hands out its Christmas present

THE MARKET got its long awaited Christmas gift from Washington last Wednesday when the Federal Reserve Board finally cut 1/4 point off the Federal Funds rate. But there was nothing warm in Alan Greenspan's manner as he handed out the paltry goodies to the clamouring traders.
This certainly seems to have been the bond market's attitude to almost everything that has happened since the begin-ning of this year's absurdly extended US holiday season, which seems to have cast a nall over all market activity on Wall Street not just in the week before Christmas but for

the month and a half since Thanksgiving on November 23. Ever since then, the market consensus on the bullish prospects has become overwhelming as the reports of economic weakness and stabilising infla-tion have flooded in. Yet next to nothing has happened to bond prices. This has caused some investors to wonder whether the bull market has lost momentum, but far more to conclude that the big rally would simply have to wait until after the holiday season. There is now serious concern among the bullish market ana-

lysts about the number of investors who anticipate a major rally the moment normal trading starts in the New Year. Mr Ed Yardeni or Pru-dential Bache defined the bulls' dilemma admirably just before Christmas: "We're sur-prised the market hasn't managed to rally. We think it soon will do so. We expect the gov-ernment bond yield to fall to

7.5 per cent any day now.

This is a very consensus

forecast, usually the kiss of death for anyone counting on it. If bonds cannot respond to good news, the risk is that prices could decline sharply if the economy starts to heat un to everyone's surprise. Since we are solidly in the bullish camp, our guess is that the bond market is suffering from 'year-end-itis.'"

Without getting entangled any further in the bluffs and counter-bluffs of the contrarian approach to financial logic, it does seem worth reiterating some fundamental reasons for scepticism about the widelyaccepted view that bonds yields will soon fall to 7½ per cent or even 7 per cent.

The bearish implications of the declining dollar could turn

out to be the main bond mar-ket story of early 1990 and were discussed at length last week. The purely domestic objections to the bullish case are equally telling.
First is the possibility that
the US economy may actually

have reached, or even passed, its low ebb already. The unexpected 5.1 per cent jump in durable goods orders announced on Friday was one indicator pointing in this direc-

The problems of the housing and car industries are well known, but in both cases the recent cutbacks in demand and production have been so severe that a turnround may be in the offing. Outside these industries, the US economy is still very far from recession.
This leads to the other

domestic objection to the bullish consensus. The current level of real interest rates

short of a full-scale reces With the inflation rate remainwith the inflation rate remaining extremely steady above the 4% per cent range, bond yields below 7% per cent seem to have little long-term investment appeal.

The bulls have three possible increases one is that I's infla-

ripostes. One is that US infla-tion rate is on the brink of major deceleration. Another is that a classical recession will actually occur in 1990, precipitsting very aggressive cuts in short-term rates, as well as a flight to safety into the Trea-

sury bond market from equi-ties and junk bonds.

The third possible reason for bondholders' optimism is that the threat of a recession will force the Fed to ease much more dramatically than it has done so far. This easing will avert an actual recession, but will reduce the competition of high money market rates which has made bond invest-ment relatively unattractive since the yield curve became

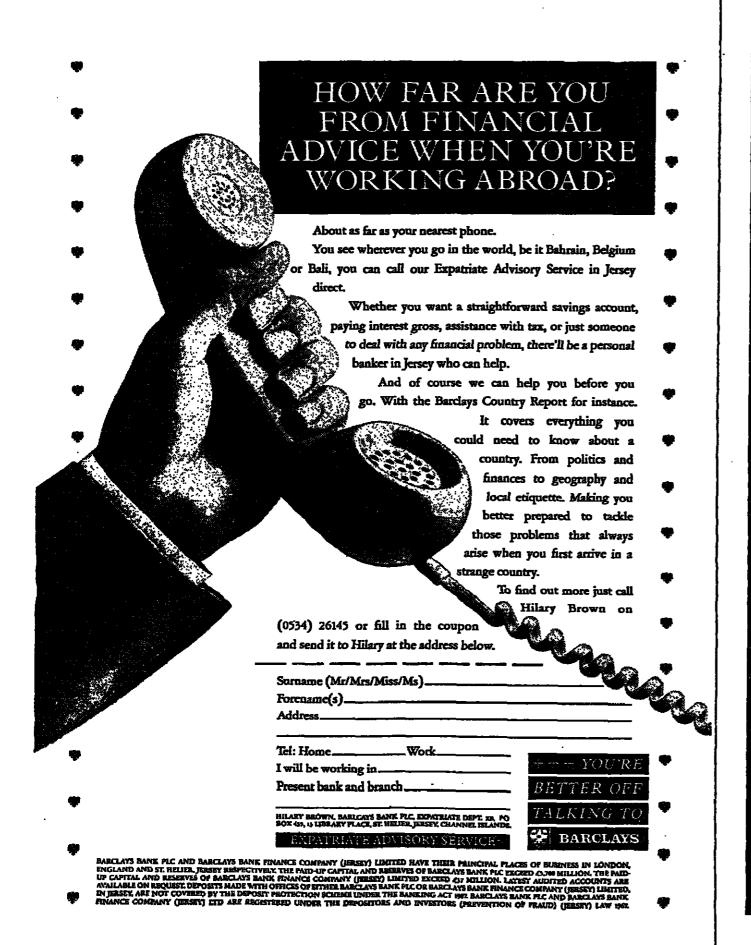
inverted a year ago.
This last scenario of a further pre-emptive easing by the Fed is much the most popular one among bond investors, few of whom actually expect a recession in the next year.

This view seems very plausi-ble on political and historic grounds. The central bank will be under enormous pressure from the White House and Congress to keep the economy growing ahead of the Novem-

For bond investors, however the idea of a pre-emptive eas-ing begs the all-important question. If the Fed does cut short-term interest rates to avert or delay the next recession, what will this do to the long-term prospects for infla-tion and bond yields?

If easier monetary policy establishes 4% or even 4 per cent as a floor for inflation in the next stage of the economic cycle, this can hardly be good news for someone committing 30-year money to Treasury bonds on a yield of less than 7% per cent. If the economy does weaken and the Fed does continue to ease, in other words, a major steepening of the yield curve could be in

Anatole Kaletsky



Bank Melli Iran

US MONEY MARKET RATES (%)

US BOND PRICES AND YIELDS (%)

one of the world's top 70* banks with total assets of more than US\$56,485 million† offers a complete range of domestic and international banking services through its 1865 branches and offices at home and abroad, and correspondents worldwide.



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in terms of total assets—The Banker: July 1989

† 3,790,124 million Iranian Rials translated at the closing exchange rate of 67.1 to 1US\$ - 25 per the Provisional Financial Statements for the Iranian year 1367 (ended 20 March 1989)

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US suppliers to suspend goods to ailing Campeau

hands

NUMEROUS US apparel of Campeau's debts, Campeau added. in practice such debt "acceleration" would inevitathat they would suspend ship-ments of goods to the troubled Campeau retailing empire after the company's announcement on Friday that Citibank, its lead banker, had threatened to call a technical default on more than \$2.3bn of debt.

The Campeau announcement was preceded by a suspension of its battered shares on Friday on the Toronto Stock Exchange, where trading was not due to resume until today. Campeau said Federated Department Stores and Allied Stores, its two retailing subsidiaries, had received preliminary default notices from one of their bankers, later confirmed by Campeau to have been Citibank.

The notices, dated December 21, said the retailing companies had "failed to comply with reporting requirements under their bank credit agreements" and that an "event of default" would exist if these alleged failures were not remedled within 10 days.

Such an event of default would permit Citibank to demand immediate repayment

COMPANY NEWS IN BRIEF struggling US casino group, has as expected filed under Chapter 11 of the US Bank-NISSHO IWAL, the big ruptcy Code in line with an agreement reached with credi-

Japanese trading company, has bought zircon and titanium mines in Australia for A\$240m (US\$190m). The mines satisfy some 6 per cent of world zircon demand and 10 per cent of tita-Japanese company, AP-DJ

. . .

. . . .

reports.
Nissho Iwai said the pur-chase, from Australia's Pioneer International resources group, was designed to secure the supplies of the two minerals said to be in growing demand in world markets.

The mines, run by Pioneer's RZ Mines Group and Cable Sands Group, are located near Newcastle and Bunbury. They have been producing about 50,000 metric tons of zircon, used for making ceramics prod-ucts, and 288,000 tons of tita-

Resorts International the

"acceleration" would inevita-bly force the Federated and Allied to apply for protection in the US bankruptcy courts. Campeau responded to the Citibank notice by disputing the claim that it had defaulted on any of its reporting require-ments and said the "assertion of a default on such basis is

wholly without merit."

Nevertheless, several retail suppliers said all further shipments to Campaan group stores would be halted pending a resolution of the dispute with

Given that the Christmas elling season was now over, this would create few immediate pressures either on Campeau or on the apparel induspean or on the apparet mous-try. However, several analysts asserted that bankruptcy fil-ings by Federated and Allied were now virtually inevitable. From the apparet industry's standpoint, such filings would be advantageous. US law would allow Campeau to contime making full payments to its suppliers while the claims of bankers, bondholders and

tors in November.

Resorts, along with Griffin

Resorts, Resorts International Financing and Griffin Resorts

Holding, are filing voluntary Chapter 11 petitions to obtain

approval for a proposed joint

reorganisation plan. This will also be filed with the US Bank-

Truptcy Court in New Jersey.
Under the plan, Mr Merv
Griffin, the TV personality,
will see his stake in the reor-

ganised company reduced to 22 per cent. Mr Griffin had bought Resorts from Mr Donald

Trump, the New York-based

property developer, in 1988. The operating companies of Resorts in Atlantic City and

the Rahamas are not involved

in the bankruptcy proceedings.

equity investors were settled by the bankruptcy court. hours of overtime a quarter. The company said it had hoped to shrink its workforce through attrition and reassign-ment. But weakening demand for Boeing defence products made the lay-offs necessary.

Boeing

plans to

shed 1,200

employees

BOEING plans to lay off about

1,200 workers despite orders for \$85bn of its airliners and deliv-ery dates stretching into the mid-1990s.

It said most of the job losses

would come on the 747-400 pro-duction line at its Everett

diction line at its everett plant near Seattle. The aircraft went into service earlier this year after a troubled start-up. The delay made it the first model in 20 years Boeing had delivered behind schedule. Increased productivity, more experience in the line and the end of start-up tasks such as certification mean Boeing

certification, mean Boeing needs fewer workers to build

studying an increase in produc-

tion rates but would make no

decision for some time. The 20,000 workers at Ever-

ett also make Boeing 767 airlin-

Despite the lay-offs Boeing

said it would be able to reduce overtime work sharply during

the first half of next year for

its remaining employees, Dur-ing the rapid build-up in pro-duction rates over the last 18

months, many Boeing employ-ees worked more than 200

By Roderick Oram

Spanish bank to trade shares

BANCO SANTANDER, Spain's fourth largest bank, said its shares are likely to start trading in Tokyo at the end of January after the Tokyo Stock Exchange approved the first listing of a Spanish bank in

Japan, Reuter reports.

The listing has been timed to coincide with the placement with Japanese investors of 750,000 shares, equivalent to 0.71 per cent of the bank's capi-tal, the bank said. Nomura Securities is handling the placement, which is being underwritten by a con-sortium of leading Japanese

In celebration of the unconventional trend

William Dawkins on the audacious strategy which transformed the Pechiney group

hidden state support, in the form of cheap electricity prices

from Electricité de France,

which will sell a temporary surplus of current from its big-

Gravelines and take a stake in

British Steel lodged a com-plaint with the European Com-mission's competition authori-ties, as a result of which Mr Gandois admits that he serious

considered shifting the project to a cheap energy country like Venezuela, Australia or Can-

ada. For any delay meant the

new aluminium plant risked

mistiming its output with the

expected surplus of the Gravel-

managed to stick more or less to schedule.

Commission, Mr Gandois believes that "costs at Dunker-

que will not be the same as the

With a wry smile, he adds: "I

In the event, Dunkerque has

ven after the electricity

ines power station.

the project.

st power station at nearby

he bubbly, irrepressible Mr Jean Gandois, chair-man of Pechiney, the world's top packaging group and third largest aluminium producer, has been celebrating Christmas in what many might

consider an eccentric fashion. While most people were doing their last-minute shop-ping last Saturday, Mr Gandols was flying from Paris to a grim, wind-blasted coastal plain near Dunkerque.

There he laid the first stone of state-owned Pechiney's new FFr5bn (\$862m) aluminium smelter, due to churn out 215,000 tonnes of aluminium per year by 1992, when it will provide more than half of total

French output.
The move has surprised many industry analysts, who argue there is no scope for new Ruropean production in this sluggishly growing industry. Why do it? "I like to do things that interest me," quips the 59-year-old Mr Gandois before surrendering to another of the gales of laughter that punctuate his conversation.

The ceremony marks an important phase in Mr Gan-dois's ambitious strategy for what was a loss-making second rank aluminium producer when he took over two and a half years ago. To bring about the transformation of a group which reported more than dou-bled first half net profits of FFr1.73bn, he has stubbornly moved against the conven-

tional trend. Not only is he opening new production in Europe when others are looking for supplies in countries where energy in this highly energy intensive business is cheaper.

But he is also digesting the audacious \$1.2bn acquisition of America National Can (ANC) packaging group, criticised by many for being over-priced and overambitious when launched by Pechiney just over a year ago.
The cost of Dunkerque and

the ANC acquisition have left Pechiney with heavy debts of FFr29bn, 125 times shareholders' funds. That is even after the group has taken radical steps to cut debts over the past year, during which it sold its elegant central Parisian head office for FFr2.76bn - the staff are moving to a rented block in the modern business district of La Défense - and raised FFr6.4bn from a new equity



Jean Gandois: "I like to do things that interest me"

issue, including the flotation of 25 per cent of a new subsidiary, broadly grouping the packag-

And yet, the signs today are that Dunkerque and ANC were extremely astute decisions. The beauty of Dunkerque, explains Mr Gandois is that it gives the group a highly mod-ern plant near its main markets at a time when the pressure for closure will be on older and less efficient smelt-

"Yes, there will be industry overcapacity," Mr Gandois

"But it will be less severe than in recent years because companies are now more flexiwith smelters already ready for closure."

Pechiney is itself closing two of its own redundant plants in France, so that even with the new production at Dunkerque, the group's world capacity will only rise from 850,000 tonnes annually, of which 300,000 tonnes is now in France, to 950,000 tonnes.

"Don't ask me to say who will be making closures in the future. But let's just say that the three companies with the strongest plants in the world." are now Alcoa, Alcan and

mean no reproach to the Com-mission. But it is constrained Pechiney," he argues.
Pechiney's competitors
believed it could not have even to use means that seem too theoretical." He adds: "I sometimes think that I and my friends at the Commission considered Dunkerque without

tion certainly seemed expensive at the time, when Pechiney paid the equivalent of 16 times annual earnings for the packaging company, \$56 per share, more than five times the then market price of \$10 per That may be so, says Mr

should change places for a

As for ANC, the US acquisi-

Gandois, but prices for packag-ing companies have since risen even further. Mr Gandois argues his takeover now looks reasonably cheap against the 18 times earnings which he reckons Carnaud, the French packaging group, paid for Metalbox Packaging last

spring.

Beyond the price, the ANC deal was a strategic necessity. Cebal, Pechiney's existing packaging division, lacked the size to compete adequately in this increasingly global mar-

"We had to choose whether to sell our small daughter while she was still beautiful or to buy," said Mr Gandois. The deal lifts Pechiney's annual sales by about 50 per cent from last year's FFr50bn to an expected FFr76bn this

While Pechiney sees package ing as a key profit area in its own right, the acquisition of ANC, the world's largest single consumer of aluminium, is a neat counter-cyclical balance to aluminium production, says Mr Gandois. Pechiney's pack-aging businesses will see their margins reduced by about \$100m this year, he estimates, because they are unable fully to pass aluminium price increases on to customers, yet this will be compensated by the rise in Pechiney's alumin-

ium profits from higher metal When aluminium prices fall, clearly the packaging division gains. There is also a strategic price increases imposed on the scheme by the Mr Gandois fit in that tins and other metal packaging demand an increas-ing amount of high value added alloys, a useful diversificheaper countries, but they will be at least comparable if you include logistics and cation for Pechiney's primary

aluminium business. What Mr Gandols has been doing to France's state-owned aluminium company is one of the clearest examples of the more open attitude being taken by the Socialist Government within limits — to the manage-ment of its public enterprises. It also reflects the extraordinary energy of a man who still finds time to work four days a month at Cockerill-Sambre, the Belgian steel company, where Mr Gandois was called in to engineer a tough restructuring programme five years ago, building the foundations of a profits turnround which has turned him into a local corporate hero in Belgium. For Pechiney, state owner-

ship is both a strength and a weakness, reckons Mr Gandols. The advantage is that it makes Pechiney more or less take

The problem is that the refusal of President François Mitterrand to consider any change in the public sector's ownership structure is begin-ning to restrict high spending Pechiney's ability to raise

They are good shareholders, but they cannot be as prag-matic as they like because they work within such rigid rules, savs Mr Gandols.

ertainly, flotation of the packaging businesses - itself disapproved of in some government quarters - and the sale of the head office have reduced debts to a "tolerable" level. But Mr Gandois feels it would be risky to increase Pechiney's gearing his ability to make further

The main options he is now considering for bolstering the balance sheet are to divest peripheral businesses, or to follow an example set recently by Rhone-Poulenc's issue of participating securities, and rely on Paris' innovative banking system to concoct some form of equity issue that will allow chiney to raise funds without diluting its state share-

Apart from that practical problem, Mr Gandois believes state ownership makes little difference to the way Pechiney is run. He does not go far as some of his colleagues at the heads of other state owned companies who keenly wish to

"I am one of the few people in France to have directed both private and public companies,

It is a false idea that there difference. State ownership does not change the nature of things. The main issues are the same."

US COMMODITIES PRICES

IN ACTIVE TRADING, orange juice futures rose as the market continued to reflect concern over US crop damage as a result of extreme cold weather, especially in the South-West, reports Drexel Burnham Lambert. Cotton, too, rose sharply on similar concerns, while coffee futures featured heavy fund-type buying as the market railled in response to possible trost damage to crops in northern Mexico. Sugar or a up in invising in mexico, ought rose in sympathy with the cotton and orange juice, but quickly ran into trade selling which prompted commission house selling in light volume. Cooos continued lethargic. The energy complex railled sharply with heating posting gains of over 12 cents as the responded to tightne supply. The precious metals fell sharply with general long-liquidation touching-off sell stops as pre-year-end position-squaring was seen. Copper railled with fund buying prompting local buying and commission house stope in a technical move which stalled on profit-taking. Cattle futures rose as cash prices were higher reflecting nearby tightness of supply. Hog futures raified late in the session as cash prices recovered from earlier sa. Pork bellies underwent (echnical correction on the upside and in anticipation of higher cash prices and lower kills. The grains were mostly lower in lacklustre trading as a result of a lack of export demand, favo South American weather and a perception that interior US movement of grain will improve as the weather

New York QOLD 100 troy oz.; Sitroy oz.

	Close	Previous	High/Low	
Des	400.8	413.2	412.8	406.5
Jan	407.A	414.0	0 '	0
Feb	410.1	416.7	418.5	408.5 413.5
Apr	415.2	421.7	421.6	418.5
Jun	420.2	426.8	426.3	428.0
وبيغ	424.7	431.5	425.0 431.3	431.3
Oct	429.5	436.A 441.4	431.3 437.0	433.5
Dec	434.5			
PLATI	HOUNA 50 to	oy az; \$/tro		
	Close	Previous	High/Low	
Jen	509.9	515.1	615.5	505.0
ADC	516.7	621.1	521.0	515.0
أول	521.8	526.6	523.1	9500
Oct	529.3	533.1	8	0
Jen	534.B	539.6	0	0
SELVE	71 5,000 tr	gy az; sent	Vercy CE.	
	Close	Previous	High/Low	
Dec	551.2	~656.0	555.0	851.0
Jan	552.2	557.2	553.0	553.0
Feb	635.0	580.9		0
Mar	550.4	555.4	555.O	569.0
May	568.5	573.6	571,5	567.0
Jul	578.6	551.6	579.0	575.0
Sec	584.9	580.9	587.D	595.0
Dec	596.8	801.8	698.5	587.5
Jen	600.5	605.5	604.5	604.5
Mar	608.9	613.7	0	0
HIGH	GRADE (OPPER 25,	000 lbs; can	ds/Ros
	Close	Provious	High/Low	
Dec	109.40	109-90	110.75	100.80
	107.90	107.50	106.50	107.90
Jan Feb	107.80	_ 107.10	106.20	107.85
Mar	107.15	_ 106.50	108.30	108.70
ADI	106.50	. 105.90	107.80	107.10
Mev	105.85	105.10	107.00	105.95
Jun	105.40	104.75	9	Q Q
سی ایدال	10L95	104.40	105.70	105.20
التراق	10-39	-		-40.20

CRUDE OIL (Light) 42,000 US gaits \$/berrel 22.15 21.65 21.24 20.67 20.25 19.98 18.90 19.51 18.14 22.03 21.58 21.18 20.55 20.25 19.96 19.90 19.51 19.14 21,29 20,78 20,41 19,91 19,69 19,49 19,33 19,20 19,12

HEATING OIL 42.000 US calls, cents/US sells Latest Previous High/Low 8174 6889 5440 5260

COCOA 10 tonnes;\$/tonner Close Previous High/Low 925 927 943 955 0 922 COFFEE "C" 37,500the; cents/the Class Previous High/Low

82.67 84.91 86.98 89.00 92.00 94.00 96.50 78.49 80.57 82.53 84.50 87.60 90.48 92.48 82.50 85.50 87.00 89.00 92.50 9 SUGAR WORLD "11" 112,000 lbs; cents/lbs 13.40 12.80 12.86 12.76 12.52 12.08 12.00 13.25 13.04 13.12 12.99 12.78 12.82 12.27

COTTON 60,000; cents/lbs 70.71 71.20 71.00 68.40 64.95 0 68.71 69.20 69.20 65.10 63.45 64.50 65.25

ORANGE JUICE 15,000 lbs: cente/lbs 154.00 142.05 141.00 0 0 0 153.10 137.00 142.05 137.05 141.00 136.00 142.10 136.00 141.00 136.00 141.25 136.25 137.50 132.50 137.50 132.50

Chicago SOYABEANS 5,000 bu min; cents/601b bushel

Close Previous High/Low 585/6 599/2 609/6 611/6 609/5 614/6 523/4 SEAN Oil, 60,000 the; cents/lb 19.03 19.46 19.89 20.14 20.13 20.17 20.22 19.00 18.46 19.89 20.16 20.21 20.23 20.27 20.30 19.38 19.78 20.00 20.10 20.18 Close Previous High/Lov 180.5 179.5 180.0 182.0 183.0 184.0 185.5 187.5 179.2 178.5 178.9 181.1 182.2 183.7 184.2 187.0 181.2 180.4 180.7 182.8 183.5 184.5 185.5 185.0 178.8 178.2 178.7 181.1 182.2 183.5 184.0 186.8 238/4 244/0 248/4 245/2 244/4 250/6 255/4 239/0 244/4 249/0 248/0 245/2 252/0 256/4 WHEAT 5,000 bu min; cents/60lb-bushel Close 410/0 367/6 358/0 362/4 373/4 378/4 LIVE CATTLE 40,000 lbs; cents/lbs 77.75 76.85 72.12 71.72 71.90 72.80 76.90 74.90 71.80 71.92 71.57 72.12 LIVE HOGS 30,000 lb; cents/libe Close Previous High/Lox 49.15 45.22 49.10 49.10 48.15 48.70 46.00 49.20 45.26 49.15 49.20 48.20 43.75 46.00 PORK BELLIES 40,000 lbs; cents/lb 48.77 49.72 50.32 50.60 48.50 50.60 50.30 49.77 49.53 49.77 50.05 47.90 50.60 50.95

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Institut Mérieux S.A.

through a wholly-owned subsidiary has acquired over 99% of the Common Stock of

Connaught BioSciences Inc.

The undersigned acted as financial advisers to Institut Mérieux S.A.

LAZARD FRÈRES & Co. LAZARD FRÈRES & CIE NESBITT THOMSON DEACON INC.

December 10, 1989

 ${f x}$ Scandinavian Finance B.V. U.S.\$70,000,000 Floating Rate Serial

Notes due December 1993 Scandinavian Bank Group plc Ancorporated in Englan with Henland Hebility) For the six months 27th December, 1989 to 27th June, 1990

In accordance with the provisions of the Notes, notice is hereby given that the rate of Interest has been fixed at 5% per Cart and that the inserest psyable on the relevant interest psyment date, 27th June, 1930 against Coupon No. 13 will be US\$422.40 per Note.

Agent Bank: Morgan Guaranty Trust Company of New York

The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe ¥10,000,000,000

> Floating Rate Notes due 1994 (the "Notes")

Notice is hereby given that for the interest period from 27th December, 1989 to 27th June, 1990, the Notes will carry an Interest Rate of 5.95% per Interest payable on 27th June, 1990 will amount to ¥296,685 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank of
Japan, Limited
Tokyo

DSL Bank

und Landesrentenbank

DM 100.000,000,-

Floating Rate Notes — Schuldverschreibungen -Serie 233 — 1987/1991

For the three months 25th December 1989 to 24th March 1990 the notes will carry an interest rate of 8,0% (Fibor less 0,10%) per annum with a coupon amount of DM 100 per DM 5.000,— note.

. .

The relevant interest payment date will be 26th March 1990.

Listing in Frankfurt.

DSL Bank

Deutsche Siedlungs- und Landesrentz Kennedysliee 62—70, 5300 Bonn 2 Telephone 02:28/889-215 Teletex 228324 DSL Bank

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Genetic engineering may sow flourishing seeds

Peter Marsh on a possible boost for seed groups

he fledgling high-tech industry that is the world's seeds business is still in a sickly state. No one knows if it is going to flower rigorously or wither at birth. The point is underlined by the Royal Dutch/Shell oil and chemicals group's recent decision to consider putting up for sale its Nickerson International Seeds Company, a ven-ture to which Shell had until recently appeared to attach

onsiderable importance. Shell has asked Teweles & Company, a US consultancy, to examine Nickerson to see if would flourish better "by an association with a company committed to seeds as its main-

stream activity."
The Anglo-Dutch company said it could not elaborate further on why it was taking this route. It said it would decide whether to sell the unit only after the consultant had fin-ished the study. Shell has built up its \$100m-a-year Nickerson subsidiary since the 1970s, apparently in a

since the 19/0s, apparently in a bid to diversify into a promising area of science with the potential of long-term pay-offs.

The oil group is one of a number of large companies which has viewed seeds as a business that could be transformed - and made much more profitable - by novel techniques in plant breeding

and genetic engineering.
Companies entering the seeds field over the past decade have been mainly from the chemicals and associated industries. They include Imperial Chemical Industries of Britain, Switzerland's Ciha-Geigy and Sandoz and Rhône-Poulenc of France. Pfizer, the Poulenc of France. Pfizer, the US drugs company, also has a major stake in the industry.

These groups have changed the shape of the seeds busi-ness, which during the 1970s was a sleepy backwater whose main players were small family groups and offshoots of agricul-

No one is pretending, how-ever, that the seeds industry, with sales in the Western world and Japan estimated at \$10bn-\$20bn a year, makes anything more than modest profits. It is also an inherently cyclical business with pertur-bations in demand linked to the ups and downs of agriculture generally.

What the big chemical groups are interested in, how-ever, are the advances in biotechnology that in recent years have enabled scientists to insert invisible strands of genetic material into the cellular structure of plants. Millions of dollars are being spent on

research in this area.

The new biotechnology makes possible the production of seeds on a production line basis that are exactly programmed to grow into plants of specific characteristics. In

CO	MPANIES	
	eed sales,	\$ m
Company	Nationality	Sale
Ploneer	US	735
Sandoz	Switzerland	500
U pj ohn	บร	280
Limagrain	France	270
ICI	UK	250
Cargill	US	230
Dekalb*	US	178
Tekli	Jepan	160
Ciba-Galov	Switzerland	150
Sakata	Japan	140
* Owned by Pil:	707	

this way, vegetables and other crops could be made to develop with in-built resistance to attack from insects or diseases or with other properties of value to the farmer.

As one example of this research, ICI is one of a num-ber of companies working on genetically-programmed toma-toes which become less squashy during the ripening stage, and so give a fuller flavour. Tomatoes such as these could become generally available by about 1993.

Many of the companies which have entered the seeds business are also big players in the \$20bn-a-year agrichemicals industry. They think that work in seeds could complement their activities in coming up with new plant protection for-mulations such as herbicides and insecticides.

The trouble with all this reasoning is the uncertainties over transforming the science of genetic engineering into products with financial pay offs. Studies in this field are not only highly expensive but involve uncommonly long

Interest in Japanese **futures** 'to grow'

By Deborah Hargreaves

development times. And there

is a great element of risk over

making biotechnology that works in the laboratory into a

commercial product.
"We are still at the bottom

end of the learning curve," admits one executive at ICI,

which is among the top five seeds companies with annual

revenues around \$250m but which is not expecting the

business to turn into profit

until the mid to late 1990s. Mr Alastair Kilgour, an ana-

lyst at the London office of

BNP, the French bank, says

whether seeds will turn into a good business for the large

hemicals companies.

These uncertainties, how-

ever, have not stopped the pro-

gression in recent years of companies into the seeds busi-ness, the top company in which is Pioneer of the US which has annual sales

approaching \$1bm.
Other leading concerns

include Japanese groups such as Takii, Sakata and Ajinom-

oto, while the French are well

represented through an off-shoot of Lafarge, the cement group, and the hig seeds com-

food-processing company, appears keen to build up its small interests in the field

while other food groups among

the leaders in seeds include the

The degree to which compa-nies such as these express an interest in buying Nickerson

will provide a good pointer as to the state of current opti-

Nickerson, which is based in

valued according to esti-

Britain and has sales

operations throughout Europe,

mates at about \$150m. Its activ-

ities do not include other parts

of Shell's plant-breeding inter-

ests such as the company's work in agrichemical-related

studies at its research labora-

tory in Sittingbourne in Kent.

Neither do they include Shell's seeds development and

sales operations in the US,

which are controlled via a separate company run by a joint

venture of the oil group's US management together with another group called Maxwell

mism in the seeds busines

Unilever, the Anglo-Dutch

Limagrain.

US's Cargill

"the jury is still out" as to

FOREIGN involvement in Japanese stock index futures contracts should grow next year from its current level of 2 per cent, according to a report to be released by James Capel's research unit. Mr Quintin Price, head of

options research at the securi-ties house, believes foreign investors will take a 9 per cent slice of Japan's new stock index contracts to equal their 9 per cent involvement in the equity market. Volume in Japan's index

fatures has blossomed since their inception last year and the Nikkei 225 futures is currently trading over 500,000 lots a month with the Topix, Tokyo Stock Exchange's index, trading some 350,000 con-

But much of this business is cosmetic since big brokerage firms will cross trades until the market becomes estab-

Mr Price reckons that real market activity is only 50 per cent of reported volume. "Every so often, absolutely monumental trades go through and then the market is quiet again," he says.

This activity will decline as more real users come to the

market, he believes. In spite of the symbolic vol-ume, the futures contracts on the Topix and the Nikkei 225 which trades in Osaka, already trade more than Chicago's bellwhether Standard & Poors

500 index futures which has long been the leader in the industry. However, one of the drawbacks of Japan's futures market is the margining practices which restrict investors from removing interest on variation margin as their positions move upwards - a facility that exists in other futures

markets. This means that to free up margin money, traders close and reopen positions — a prac-tice that also boosts volume.

James Capel expects volume in Japan's stock index futures to grow by 20 per cent in real terms per year, but as cos-metic volumes fall, actual growth will be nearer 10 per cent next year.

INTERNATIONAL BANK LENDING AND COMMERCIAL PAPER

Gloom falls on a decade of lending

HOW GENEROUS the international banking commu-nity is with its capital. Ten years ago, international banks were in the middle of a bout of capital distribution to develop-ing countries (although their subsequent niggardliness means the consequences of that excessive lending are with us now).

In the middle of the decade. they decided to spread around still more capital by setting up securities subsidiaries in Lon-don and elsewhere. In latter years they have also played their part in a redistribution of wealth, with the main beneficiaries being the shareholders of companies subject to over-priced leveraged takeovers and the arrangers of such deals.

In 1989, the leveraged buy-out balloon has fattened and burst. At the turn of the decade, international bankers are confronting the consequences of collective lending mistakes of recent years in their leveraged lending in the US and UK. Many were in gloomy mood before they left for the Christmas break.

Some takeovers were based on over-optimistic business assumptions, which put too heavy a repayment schedule on debt-burdened companies. Others relied on asset sales which, in part because of the demise of the junk bond market, cannot be completed in time at the projected prices.

But worries about past mistakes also have consequences for the future. Just as Mexico's problems in 1982 brought about a general retreat from lending to developing countries, so banks are unlikely to be sufficiently discriminating in their attitudes to future leveraged probability be thrown out with

This emphasises the bad deals on the margin and underestimates the larger number of well-conceived transactions that have yielded benefits for all participants. But banks make, and lose, their profits on the marginal deals. If one single loan changed perceptions in 1989 it was Citi-

corp's failed syndication of a \$7.2bn financing for UAL, the US airline. Without going over again the many reasons behind that failure, including increased anxiety among bank regulators in the US, UK and Japan about leveraged lending, the unequivocal message was this: providers of debt would demand higher returns in view of the higher perceived risk. The question for the early 1990s will be whether the higher expectations of debt holders can be reconciled with the demands of equity holders to allow leveraged deals to take Eurocredits, notes & commercial

paper (Arranged) Euro-CP Euro-notes □ Euro-loans

The failure of a deal as prominent as UAL's would have been inconceivable even a few years ago. That is despite a development which should make deal failures less, not more, common. The growing business of selling on loan par-ticipations by leading banks to other banks should provide pri-cing signals that were absent in the market a few years ago. The fact that more deals fail than used to is attributed by some to a declining sense of ethics.

Preliminary figures from Euromoney magazine show the volume of international loans this includes term loans, revolving credits, tender facili-ties and other facilities — to have slipped this year from the record levels of 1988. A total of \$470bn in credits was arranged, higher than any year save 1988, when \$519.1bn was arranged. Still, these figures are very approximate as deals emerge from the woodwork in the new year: 1988's original preliminary estimate was subsequently revised upwards by a

huge amount. Euromoney's figures sugges that at least \$50bn of the 1989 volume was due to bridging credits, compared with \$17hn the year before. There have been problems in refinancing such bridging loans for US leveraged buy-outs in the absence of a functioning junk bond market.

Looking ahead, the gloom will not pervade all areas of the market. There was indeed little evidence of the usual December slowdown in lending activity, and 1990 should start off very actively.

In one sense, traditional virtues may well become more

highly regarded: more security will be demanded as banks attempt to secure their loans on conservatively-valued

There are also a few signs that, as banks pursue lending opportunities with higher returns, lending to developing countries may become more important. Such loans will not look like they did in the 1970s, however: a financing being arranged by Chase Investment Bank for Sonatrach, the Algerian state oil and gas concern, may well point the way for-ward. Using options technology, the financing rewards lenders if there is a rally or a drop in the oil price. Here is an example of the type now being encouraged by the World Bank of a country using its own nat-ural resources as a lever to encourage bank lenders in an

innovative way.
In the Eurocommercial paper market too, the question of default dominated debate as the market faced its severest test since inception. The defaults by borrowers such as DFC of New Zealand and Wang Laboratories have underlined a number of points: the care which investors must take even when programmes are rated, and the troubles which defaults can pose to commer-cial paper dealers even though they have decided that they have no responsibility for

Paradoxically, even though the defaults signalled the shortcoming of the credit rating system, they will probably encourage the spread of the ratings process into the inter-national market. Investors have precious few other yardsticks to guide them.

Dealers must also show extra care in bringing pro-grammes to market since their reputations can be damaged with investors if their names. are linked to too many failing programmes.
Since the rewards accruing

to dealers in the market nain extraordinarily low, it is little wonder that there has been a gradual reduction in the commitment to the market by

Many that have decided not to retreat completely have rolled their Eurocommercial paper market operations into the rest of their short-term asset and liability management operations. Still, it was a surprise when

earlier this month, Merrill Lynch announced its departure

from the ECP market - the most significant withdrawal from the market since and from the market since and including the departure of Salomon Brothers in October 1867.

With 197 ECP programmes and a further 25 revolving underwriting facilities, the due

diligence required by the firm to keep its ECP business going must have had an influence on its decision to quit the market. The departure of the mar-ket's fourth largest dealer may well add strength to the arms of those dealers trying to increase their meagre returns from the market. Returns of two to three basis points a year hardly constitute a feast; with hardly constitute a reast; with current outstandings, all the deelers remaining in the market are earning together between \$14m and \$20m a year. It will also certainly leave a larger share of ther cake for the others still interested in it. As the cumulative figures in the chart show, ECP programmes continued to be arranged for new borrowers in 1989 — something which reflects in part the increased interest from US issuers in the interest from US issuers in the international market. However, outstandings have hardly risen at all, despite this increased interest from the US, mainly because lower quality issuers seem to have slipped out from under the market.

Worries over the year about event risk has encouraged demand for the paper of issu-ers free from event risk, and there has been a resultant widening of spreads between vul-nerable corporate and non-corporate borrowers. However, if as discussed above, the prospacts of giant corporate take-overs have been lessened in the last six months, event risk fears may subside.

One encouraging develop-ment for ECP has been its increased competitiveness with the much larger US market. For years, over most maturi-ties, it has been cheaper for corporate issuers with access to both markets to use the domestic market. That now appears to be changing. This may be due to what some dealers say is an increase in indirect arbitrage, via the Euro-cer-tificate of deposit market. This makes the US and ECP

markets more in line than in the past. (This may in part reflect a rerating on the part of US investors — allowed to buy Euro-CDs but not ECP— - of US corporate risk, com-pared with that of well-capitalised European and Japanese banks.) Because of this, grow-ing numbers of issuers have put in place glabel programmes, allowing them to issue opportunistically either in the US or in Europe.

Stephen Fidler.

Canada wises up to the poison pill

By Robert Gibbens in Montreal

Trans Tunisian Pipeline Company Limited

This announcement appears as a matter of record only

US \$60,000,000 **Dual Currency Loan Facility**

Arranged by

Amsterdam-Rotterdam Bank N.V.

Conversion Bank

Bankers Trust International Limited

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Amsterdam-Rotterdam Bank N.V. **ENI International Bank Limited**

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Managed by

Banco di Napoli **IMIL Limited**

Credito Italiano, London Branch Istituto Bancario San Paolo di Torino, London Branch

Agent

Amsterdam-Rotterdam Bank N.V.

November, 1989

IN RECENT weeks Canadian Pacific, Alcan Aluminium and Maclean Hunter, the communications group, have joined a parade of Canadian corporations adopting "poison pills" to protect themselves from creeping takeovers and predators.

Despite some heavy trading in CP and Alcan stock in

recent months, which suggest outsiders are accumulating stock, predators are not thought to be seeking control of any of these companies at present, although some look very cheap on the basis of mar-ket capitalisation.

The poison pills, or share-holder rights plans as they are called, consist mainly of giving existing shareholders the right to buy new Treasury shares at discounts of 50 per cent from current market value.

The Alcan and CP moves have almost institutionalised

such tactics, coming after similar plans adopted by Dominion Textiles and Dofasco, the steel

group.

But because Canadian blue chip companies' stocks have been trading at much lower price/earnings multiples than their US counterparts, some US firms may well be evening the Canadian scene, especially with the restructuring now under way in Canada following Canada-US free trade. bidder offers the same price to all common shareholders.
In the case of an unwanted bid, Alcan could immediately thought the case of an unwanted bid, Alcan could immediately the case of an unwanted bid by the case of an unwanted by the case In the case of an unwanted bid, Alcan could immediately make a one-for-one rights issue

at a 50 per cent discount from market. This would be triggered when anyone built up a holding of more than 20 per cent of its stock without board approval. Management can also reduce the threshold to 10 But if any party holding 5 per cent of its stock were to make an offer to shareholders

at a special meeting, and all shareholders approved, the bid could go ahead without triggermg the rights issue.

Most of the companies adopting poison pills have their shares listed internationally or are substantially owned in the

US, or are very widely held or suffering from a down cycle in earnings. Alcan, for example, is listed in New York and Tokyo besides Canada.

Some are protected by regulation, such as BCE, the country's largest conglomerate whose core business is the Bell Canada public telecommunications utility.

Nova, a big Western energy, petrochemicals and gas transmission group is often a subject of takeover rumours. Its

under way in Canada following Canada-US free trade.

The poison pills are primarily defensive, to ensure that a

Most institutions do now accept that the poison pills will not be used primarily to prop up existing managements when a takeover might be in the interest of shareholders at Also public opinion is shift-ing away from the federal gov-ernment's "open for business"

policy enacted in 1985 with the replacement of the old Foreign Investment Review Agency by Investment Canada.

The C\$940m (US\$817m) sale of Connaught BioSciences to

Institut Mérieux of France met strong opposition in Ontario, the richest and most populous province, on the ground that it was a "sell-out" of the largest Canadian-owned hiotechnology company to a company indirectly controlled by a foreign government.

The Caisse de Depot, the Quebec Pension Plan investment firm with assets of C\$35bn, continues to oppose poison pills on principle, say-ing they are really designed to ng they are reany tessioned to protect management indefi-nitely. It has fought several battles on the issue, including opposing inco's poison pill and special dividend without suc-

It may oppose the Alcan and CP plans when they come up at the annual meetings early in

Five years ago the Calsse amassed 10 per cent of CP and demanded several boardroom seats. CP complained to the awa saying this would amount to "backdoor nationalisation"

to "backdoor nationalisation" of a private sector company. The Caisse backed down and reduced its holding.

CP's poison pill is double edged. It plans to spin off 30 per cent of the shares of Marathon Reality, its hig property subsidiary, to existing shareholders on a one-for-one basis. This is popular with institutions. The company believes the parts will be more valuable in shareholder hands than the whole.

would get the right to buy additional shares at a 50 per cent discount if a predator buys 10 per cent or more of the company. Later Marathon itself would adopt its own poi-

son pill.
Under a previous standstill agreement, Power Corporation of Canada, Montreal financier Mr Paul Desmarsis's holding company, can hold up to 15 per cent of CP and in some circum-stances could buy more. But this agreement runs out shortly.

BP drops US coal sales

By Maurice Samuelson

BRITISH PETROLEUM has cancelled the sale of its remaining US coal assets six months after putting them on the market as part of a world-wide divestment exercise. BP America said coal assets and operations in the US would

be reorganised into an indepen-dent wholly-owned subsidiary. Earlier this month, it had been in talks with a number of leading US coal producers, including Ziegier Coal, Amax, Consolidation Coal, Massey and Ashland.

Of BP's 1.9hn tonnes of coal reserves, about 740m tonnes are in the US, compared with the 440m it held in South Africa and 570m in Australia.

Sales have been agreed for the Australian and South African interests although, contrary to its original intention, BP failed to find a single pur-BP failed to find a single purchaser for the entire portfolio.

The Australian assets were sold to CRA, the Australian mining company, for A\$275m (US\$137.6m). In South Africa, where BP owns 88.5 per cent of the Middleburg colliery, its partner Rand Mines exercised its right to pre-empt its nur-

its right to pre-empt its pur-chase by Anglo American for R546m (US\$138.94m).

In the US, assets include the Old Ben Coal Company mines in Illinois, Indiana and West Virginia, all 100 per cent BP-

SE Banken signs paper By Deborah Hargreaves

SKANDINAVISKA Enskilda Banken has aigned the Euro-pean portion of a \$2.5bn Euro-commercial paper programme. The US portion was signed ear-lies this rear. lier this year.

The programme was arranged by Credit Suisse

First Boston and dealers include Goldman Sachs. SE Banken's London branch as well as CSFB. The notes in the programme may be issued in US dollars, sterling or yen. Westinghouse Credit Corp announced it filed a \$500m

continuous offering of mediam-term notes with the US Securities and Exchange Commission. The notes, filed as a first stage of the company's \$2.1bn shelf registration smnounced in November, will be marketed simultaneously in

be marketed simultaneously in US and Europe.

The new notes will be sold through Shearson Lehman Hatton, First Boston, Marrill Lynch and Westinghouse Securities in the US with CSFB also selling the notes in Europe.

AMP (UK) signed the syndication of a £525m term loan facility in connection with its offer to acoure Pearl Grown

facility in connection with use offer to acquire Pearl Group, the insurance company. The loan, which was arranged by Lloyds Bank Capital Markets group and Chase Investment Bank, is a three-year facility carrying a marsin of 28 hagis carrying a margin of 25 hards points over Libor.

WORLD

INDUSTRIAL

REVIEW

The Financial Times proposes to publish this

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8th January, 1990

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prospects in the year ahead in the

Chemicals and pharmaceuticals;

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Industrial Sectors

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Pulp and Paper:

Aerospace:

Industrial equipment;

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UK COMPANY NEWS

Malaysians agree to take 32.5% stake in Unigroup

ANTAH Overseas Holdings, part of a Malaysian investment group, is taking a 32.5 per cent stake in Unigroup, a UK timber, building products and clothing company.

The deal, designed to raise about £2.6m, involves the issue of more than 9m shares in Uni-group at 39p each. Antah will have voting rights over only 28.7 per cent, so there is no requirement for a full takeover offer to be

It is also proposed that a further 1.9m new shares, plus \$700,000 cash be given to Mr Peter Yeoh, a Unigroup director, in lieu of earn-outs due for the current year and

Yeoh's 2.6m preference shares into ordinary shares is being brought forward, his total hold-

Salvesen pulls

in £7.5m deal

out of shipping

Christian Salvesen, the

transport and food distribution group, is withdrawing from shipping after being involved

in it for more than 100 years. It is disposing of those inter-

ests for £7.5m to Jebsen Group, the Norwegian-based shipping

group.

Mr Chris Masters, chief executive of the Edinburgh-based

company, said that it was vital

that the company concentrated

on activities where it had a competitive edge which could

be aggressively developed.

The interests include three

general cargo vessels of which

one is on charter to the CEGB.

It also manages three colliers on behalf of the CEGB.

The following changes in company share stakes

have been announced rec-

AB Klectronic Products Ground

Scottish Amicable Investment

Managers has acquired 140,900 ordinary, lifting its holding to 2.12m (8.36 per

Airflow Streamlines: JTA

Smith and BW Sutherland

have acquired 5,000 ordinary at £2.22; raising the hold-ing to 945,520 (11.07 per

cent). Aitken Hume International: PJ

ordinary at 53p per share, increasing the stake to 4.74m

registered in the name of Rus-

Alba: Mrs Jacqueline Harris is

now interested in 80,000 ordinary. Mr John Harris,

chairman, is interested in

these shares following his mar-riage, lifting his beneficial interest to 8.58m (23.2 per

notifiable interest in 3.88m

()ISON

Bachmann has acquired 200,000 Audit & General: Swan Man-

Amer: Morgan Grenfell Group and its subsidiaries have a bought 25,000 ordinary

ordinary (5.55 per cent). The cent). shares are held on behalf of Berisford International: LJ

ing is set to rise to 26.3 per the £3.6m raised from Antah

relate to the £6.7m acquisition of his Malaysian business in June 1987. Mr Yeoh has received £2.14m in preference shares and the new agreement will clear up deferred pay-

Mr James Malthouse, Unigroup's chairman, said there was no link between Antah

A strong performance from the Malaysian timber operation, including the manufacture of doors for distribution in the UK and elsewhere, helped Unigroup to continue its recovery in the 12 months to June when pre-tax profit rose to £1.2m. About £1.2m was lost in

Interest payments amounted and another d to £320,000 last year and part of standing down.

THE ROYAL Bank of Scotland

Group has agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel com-

The Royal bought AT Mays only two years ago. But Mr Charles Winter, the group chief executive, said that regulatory complexities had made it hard

to cross-sell financial services,

for example life insurance, through the Mays branch net-

The trend in the travel busi-

ness was also towards greater

concentration into a smaller

number of large companies. However, by retaining an

COMPANY NEWS IN BRIEF

clients whose portfolios are

managed on a discretionary

Anglo-Eastern Plantations:

Govett Oriental has acquired

200,000 ordinary, increasing

the holding to 1.2m (5.45 per cent). The shares are registered in the name of Midland

Bank (Princess Street) Nomi-

Apricot Computers: Singer &

Friedlander Group, its subsidiaries and their portfolio customers are interested in

15.12m.:ordinary (16.36 per

agement Services, in which Mr Harvey Selby, A&G chairman

8,400 at 34p.

Avesco: following the acquisi-

tion of 30,000 ordinary from Mr

John Hinchliffe, a director, Mr Richard Murray, chairman, now has a beneficial interest in 7.91m and Mr Hinchliffe has an

eficial interest, has bought Investment

65,000 ordinary at 34%p and now holds 20.24m ordin-

and now has 525,000 (2.3 per has acquired 118,500 shares. It

cent).

panies in the US.

will be used to reduce borrow-

ings.
Mr Maithouse said it would also eliminate the £920,000 preference dividend arrears and pave the way for payment of dividends to ordinary share-

He welcomed the cash injection from Antah, which is listed on the Kuala Lumpur stock exchange and made a pre-tax profit of £17.8m on sales of £202m in the 12 months to March 31. Tunku Imran. Antah's chief executive, said this was the group's first big step into Europe.

Tunku Imran will become non-executive chairman of Unigroup and Antah is appointing two other directors to the Unigroup board. Mr Malthouse and another director will be

from Mays and retain non-travel assets worth £1.1m.

remaining interest for at least

Carlson, one of the larges

privately-owned companies in the US, said the acquisition

would allow it to develop its business in the fast-growing

Goodman has acquired 9.68m

ordinary, lifting the holding to 57.69m (11.8 per

Bestwood: JH Furlong, a director, has acquired 72,530 ordinary, increasing the holding to 2.98m (8.21 per

Bexbuild Developments: Mr

Tom Tutton, a director, has

bought 2,500 shares at 103p per

share.

BMSS: Royal Life Investment
Division is the beneficial
holder of 383,000 ordinary (5.25

per cent). The shares are allo-

cated to the Royal Insurance

British & Commonwealth

ary stock units (5.61 per

British Mohair Holdings: Lawrie Group has acquired

110,000 ordinary, raising its

holding to 3.72m (28.02 per

Business Technology: Con-

corde Corporation (formerly Berrytex Investment Company)

now has a total 3.44m (23.11 per

five years.

The Royal will retain its

rent roll that would exceed the finance and overhead costs even with the current high level of interest rates. Royal Bank sells 76% of Dealing profits rose from £1.49m to £3.57m and net rents from £2.35m to £4.52m and travel agency for £15m gross profit emerged at £8.09m (£3.85m). Administrative expenses almost doubled at By David Lascelles, Banking Editor

£1.05m (£552,000) and net interest payable surged from £1.2m to £3.8m. Turnover equity interest in Mays, he said the Royal group would still be able to channel travel-related expanded from £13.98m to £28.37m. services through its branches.
The deal values the stake After tax of £1.35m (£707,000) fully diluted earnings were just marginally being acquired at £15m, com-pared with a total acquisition price of £18.6m. The Royal will also receive a \$2.3m dividend

55% rise

profits

puts Dwyer

over £3.2m

eptember 30. Mr Desmond Bloom, chair

man, told shareholders that net assets had increased from

£31m to £48.4m, equal to 279p per share, a 15 per cent increase on the 244p of a year

Mr Bloom said that while he

remained committed to the stated aim of developing a sub-

stantial property group, the criteria for going forward remained the enhancement of

assets and earnings per share. He said that the company

was very well secured with a low level of borrowings, and a

higher at 13.01p (13p), reflecting the £12.77m prefer-ence rights issue in May. A 33 per cent increase in the total dividend to 4p (3p) is proposed via a final of 2.5p.

Local London will hold back Priest Marians

The acquisition of Local London Group by Priest Mari-ans, has "not proved a success and will result in a substantia loss", the property company's chairman, Mr David Auerbach, told shareholders at the

annual general meeting.

He added that a string of property sales, designed to reduce gearing, had not progressed as anticipated last autumn and that "there has been a adverse effect on the

been an adverse effect on the cash flow of the group."

However, he suggested that the Langham Estate's value should show a significant increase over the last year, when Priest Marians accounts are published early in 1990. Priest Marians shares fell 9p to 340p ahead of the Christmas

Vista expands

For a consideration of £2.25m, Vista Entertainments is buying Victoria's, the nightclub and disco complex in Glasgow which was an auction room until last August.
The consideration will be

met by £1.9m cash and the issue of 4.66m Vista shares, and the deal is subject to shareholders' approval.

Director resigns from Electra Investment

By Clare Pearson

MR ROBERT DRUMMOND has resigned as a director of Electra investment Trust just 10 months after joining the company, a specialist in unquoted investments which is in the DWYER, the property investment and dealing com-pany, reported a 55 per cent increase from £2.1m to £3.24m throes of a reconstruction. Electra said Mr Drummond's in pre-tax profits in the year to

departure was "due to a dis-agreement on matters of company policy."

Mr David Osborne, an Electra director, declined to elabo-

rate on the announcement, which startled followers of the company in the City.

Mr Drummond was recruited early this year from County

NatWest, where he was a director and managing director of County NatWest Ventures. He was appointed vice chairman of Electra's management company, with responsi-bility for defining and carrying out new unlisted invest-

Mr Osborne said Mr Drum mond's departure was unconcurrently underway at Electra, involving the creation of a new fund providing finance for European management buy outs and other unquoted ventures, and plans to float Electra's management company on the stock market As a director, Mr Drummond

took an equity stake in the new management company, Electra Kingsway Partners. Mr Osborne said the recon struction was proceeding "pre cisely as planned." Nearly 2500m had now been rais towards the new fund. Electra Private Equity Partners,

Quiligotti confident after 12% increase in first half

THE OUTLOOK for the current year at Quiligotti, maker of ter-razzo floor tiles, looked promis-ing said Mr John Riordan, chairman, in his statement accompanying the interim

Current trading was satisfac-tory, he said, and the board's confidence was demonstrated by an increase in the interim dividend from 0.66p to 0.78p. In the six months ended September 30 1989 the group increased turnover 19 per cent, from £8.96m to £10.62m, and pre-tax profit 12 per cent, from £1.08m to £1.2m.

Mr Riordan said since the group's launch on the USM last March it had further developed its position as the market leader in terrazzo in the UK.

Noble Raredon

affected by

start-up costs

Noble Raredon, formerly known as Gnome Photographic and now controlled by Mrs

Bilge Nevzat, sister of Mr Asil Natir of Polly Peck, returned profits of £48,000 pre-tax for the 17 months to October 31.

That compared with £487,275

Ancillary activities in indus-trial flooring and natural stone products also performed well. The fire surround business had suffered in line with the downturn in the domestic building Earnings in the period

worked through at 2.72p (2.71p). The dividend is payable on February 2.
The chairman revealed that

the group was reviewing a number of acquisition opportu-nities, but stressed the view of the slowdown in a number of construction related sectors in the UK."

Sectors in the On.

Initial expectations of the marketing venture set up in Ireland were being fulfilled and the outlook was encouraging.

Six months sees **Braithwaite** with 44% rise

Braithwaite, the restructured industrial services group, returned profits of £2.62m pretax for the six months ended September 30. an improvemen of 44 per cent over last time's

The figure was struck after taking account of a £1.04m rise in interest charges to £1.69m.
Turnover pushed ahead from £24.5m to £33.22m and earnings emerged 2.7p higher at 9.6p.
The interim dividend is

for the year to May 31 1988.
Mrs Nevzat said the fall reflected the start-up costs associated with establishing new businesses. Turnover for the 17 months totalled £11.28m (£2.55m for period). Earnings emerged at 0.22p (2.1p). In view of the produced profits a popularl divibeing lifted from 1p to 1.4p, partly to reduce disparity with the final. dend of 0.1p (1.33p) is recomstarted slowly business was mended. Current trading was described as satisfactory. now reaching more acceptable

FT SHARE SERVICE Cnv. Cap. Bond. (Transport). Europa Minerals Warrants (Mines-Miscallaneous). Hays (Industrials). The following securities have been added to the Share Information Service: BTR Warrants 1993/94 (Sec-

LWT (Holdings) 3.9375p tion: Industrials). Cnv. Cum. Pfd. (Leisure). Malaysian Emerging Cos. British Aerospace 7.75p (Net) Cum. Conv. Red. Pref. rants) (Trusts, Finance, Land). Mediterranean Fund (Invest-British Airways Cap. 94pc

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rixed at 8,075 per cent par annum. The coupon amount due for this period is USD 214,47 per USD 10.000 denmi-nation and USD 1.072,33 per USD 50,000 denomination and is payable on the interest pay-ment date March 28th, 1990

The Fiscal Agent Banque Nationale De Paris (Luxembourg) S.A.

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Rate Notes

Due 1992

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olders of the Société Annayme d'Investissement "Yamaichi

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This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Lumited. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Company in the Unitsted Securines Market. It is emphasised that no application has been made for the Ordinary Shares to be admitted to listing. Conditionally on such permission being granted 20,000,000 Ordinary Shares of 10p each of the Company have been placed by Beeson Gregory Limited and Metheson Securities Limited.



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The principal activities of The Global Group pic are freezing, peckaging and cold storage of produce; warehousiz distribution services; stevedoring and related services; the import, export and wholessis of meat and meat products, at the manufacture, processing and marketing of meat and other specialist food products.

Particulars relating to the Company are available in the Extel Unitsted Securities Market Service and copies of so urs on any weekday (ecistered office, Cra

Beason Gregory Limited
The Registry, Royal Mint Court
London EC3N 4EY and on 27th and 28th December, 1989 from The Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.

Guinness Mahon & Co. Limited 32 St. Mary at Hill London EC3P 3AJ

CIVAS 2 LIMITED Rosting Rate Notes due set Rate 8.42% p.s. Interest Period imber 27, 1989 to June 25, 1990. ast Psyable per US\$100,000 Note L210.00 December 27, 1969, London By Citibenk, N.A., (CSSI Dept.), Agent Bank

JUSCO CO. LTD.

At the meeting of the Board of Directors of the Company held on December 11, 1989, it was resolved that a free distribution of

shares be made as follows:

Japanese Commercial Code, the amount of such new shares being a sum determined by multiplying the number of new shares to be issued as stated in Paragraph 1 below by ¥50: 1. The number of the new shares to be issued:

The new shares shall be allotted to the shareholders

Date from which dividend is calculated:

 All other matters necessary for the Issuance of the new shares shall be determined at a meeting of the Board of Directors to be held hereafter. Hill Samuel Bank Ltd.,

45 Beech Street, London EC2P 2LX.

Eni International Bank Limited U.S. \$200,000,000

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In accordance with the terms and conditions of the Notes, the rate of interest for the interest period December 27, 1989 to March 27, 1990 has been fixed at 81/2% per annum. Interest payable on March 27, 1990 will be US\$212.50 per Note of US\$10,000.

Morgan Guaranty Trust Company of New York London Branch

VITAMIN LTD. Series B US \$60,000,000

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the pariod 22nd December, 1989 to 21st June, 1990 has been fixed at 8.565 per cent. per

Nippon Credit International Limited

Advanced Technology Pand" convened in an Extraordinary General 26th April, 1989 have decided to change the form of the Société An Flovestissement into a Société d'Investissement à Capital Variable. The chares certificates of the Société Anonyme d'avestissement will be caped fixes 15th Jesuary, 1990, at the offices of the Castedian (Banque

Costodian: Basspe Paribas Luxembo 10A, Boulevard Royal

For the Board of Dis J.Piesson General Manager

NOTICE OF FREE SHARE DISTRIBUTION

Effective April 6, 1990, new shares shall be issued with recard to a part of the amount capitalized in excess of the total par value of issued shares pursuant to Article 293-3-2 of the

Shares of the registered form, par value common stock in such number as shall be determined by multiplying the total number of issued shares as at 3.00 p.m. February 20, 1990, Japan time, by 0.05; Provided, however, that fractional shares of less than one share arising from the calculation shall be discarded. 2. Issue price:

¥50 per share; Provided, however, that no subscription money shall be collected.

Method of allotment: The new shares shall be allotted to the shareholders appearing in the register of shareholders as at 3.00 p.m. February 20, 1990, Japan time, at the rate of 0.05 share for each share held by them; Provided, however, that fractional shares of less than one share arising from the allotment shall be sold as a whole and the proceeds shall be distributed to the holders of such fractional shares in proportion to their fractional interests.

For the six months, 19th December 1969 to 19th June 1990 the interest rate has been fixed at 8-625% per annum. Interest payable on 19th June 1990 will be \$21,802-08 per note of US\$500,000 denomination.

London Branch Agent Bank

The amount of interest payable on the relevant interest payment date, 21st June, 1990 will be US \$4,306.29 per US \$100,000 principal amount of Notes.

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Bremhill St., New C.C.R.P 2.6 16.3 6.4 . 7.8 6.7 11.2 -| 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 10.0 18.7 9.3 10.7 2.7 9.3 6.8 5.4 4.0 9.8 3.1 10.4 10.3 3.4 8.6 5.8

62 9.4 53 25.4 Securities designated (SE) and (USAE) are dealt in subject to the roles and regulations of The ISE. Other securities listed above are deaft in subject to the rules of TSA These securities are deaft in strictly on a matched bargain basis. Neither Gran Limited nor Grand-III Davies Limited are market makers in these securities. * These securities are deaft on a restricted basis. Further details available

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			FIN	ANCIA	L TIME	S STO	CK IND	ICE8			
I	1	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 15	High	189 Low	Since Com High	milation Low
I	Government Secs	84.49	84,49	84.45	84.16	84.04	83.99	89.29	82,93	127.4	49.18
1	Fixed Interest	92.67	92.67	92.41	92.33	92.28	92.25	99.59	92.02	105.4	50.53
I	Ordinary	1868.2	1858.8	1866.0	1852.5	1864.5	1851.7	2009.6	1447.8	2008.6	49.4
I	Gold Mines	312.9	315.0	313.1	311.3	315.2	308.4	317,8	154.7	734.7	43.5
I	FT-Act All Share	1177.11	1173.40	1176.10				1225.80	921.22	1238.57	61.92
Į	FT-SE 100	2362.0	2353.0	2360.7	2342.1	2358.5	2344.7	2426.0	1782.8	2443,4	986.9

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Bankers Trust Company, London

Agent Bank

Ente Nazionale Idrocarburi

Secured Floating Rate Notes 1993

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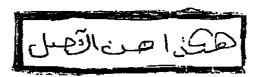
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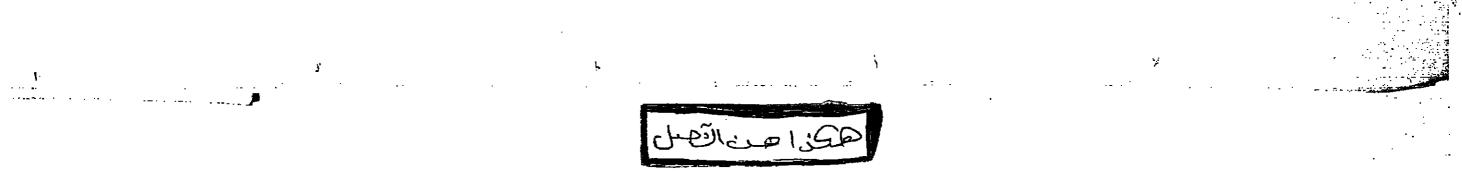
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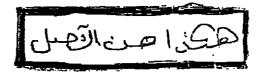
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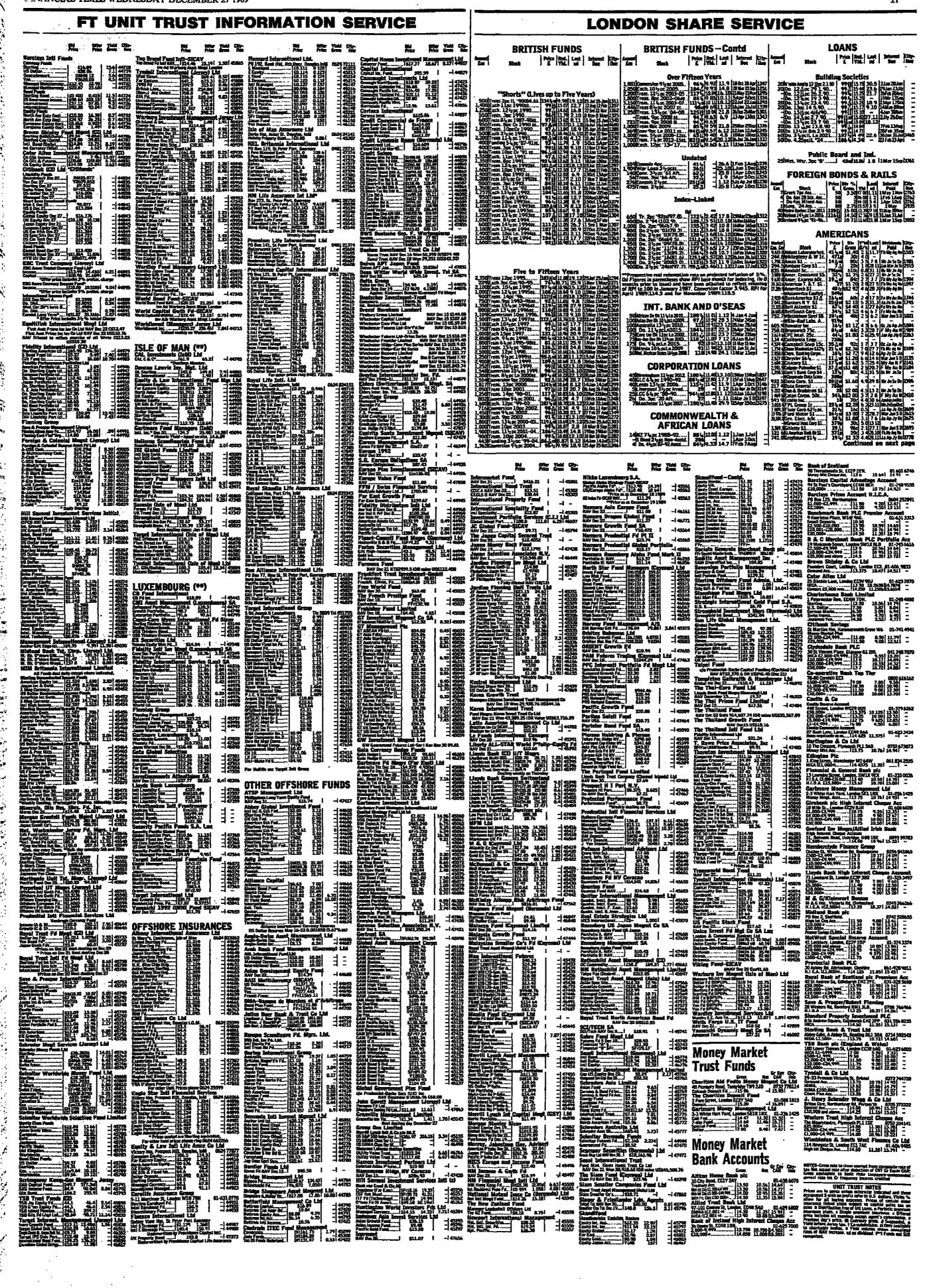
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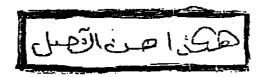
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FINANCIAL TIMES WEDNESDAY DECEMBER 27 1989	LONDON SHARE SERVICE	Pror Latest Share Prices on any telephone ring direct-0838 43 + four digit code (tieted below). Calls charged at 38p per minute peak and 25p off peak, inc VAT
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CURRENCIES, MONEY AND CAPITAL MARKETS

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mada Stherlands .	1.8665 - 1.8845	1.8740 - 1.8750	0.47-0.36com	266	1.23-1.10mm	24
de lands.	3.12-3.14	3.12-3.13	14-14-000	6.40 (44-44-00	4.7
lakum	58.00 - 58.50	58.05 - 58.15	29-22cm	5.27	74-64pm	4.7
mark	10.774 - 10.824	10.784 - 10.794	34-25 ores	3.20	73-4500	29 30 64 7.5
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. Cereany		2.76-5 - 2.77	IL-IL-Open	1.32 !	45-45-	6.4
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ritaeriand .	2505 - 2514	2501-2511	15-15 mm	6.87	34-34 pm	6.0
V	13640 - 13710	13640 - 13650	0.47-0.44com	4,00	1.26-1.21mm	3.6

MONEY MARKETS

D-Mark likely to rise against dollar

15 per cent from October 5

West German interest rates are underpinned by the inflationary implications of events in eastern Europe and speculation about a possible reunification of Germany. Caution is likely to increase after the recent fast moves towards democratisation, but even if there is no reunification the more liberal regime in the east means that visitors to West Germany will increase, bringing higher inflation. This will support the West German interest rates are

2 IN NEW YORK Previous Close Lates.

CURRENCY RATES 1.2335 1.30498 1.51456 15.9129 47.4078 8.79100 2.25931 2.25189 7.71700 1686.59 187.656 8.69508

wound down last week ahead of the Christmas holiday, but the immediate prospects suggested a strengthening of the D-Mark against the dollar.

UK clearing bank base leading rate is more to prove the province of the province

demands and is unlikely to allow interest rates to fall.

This contrasts with the situation regarding the dollar. Eurodollar interest rates from six months onwards are already below the equivalent Euro D-Mark rates, and according to recent signals from the Federal Reserve the trend in US rates appears to be downwards. The Fed's action on the New York money market last Wednesday was taken as an indication that the target for Fed funds had been cut by % per cent to 3% per cent. A reduction in bank prime rates and possibly the Fed's discount rate may follow.

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PERSONAL PENSIONS

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The Financial Times proposes to publish this survey on:

20TH JANUARY 1990

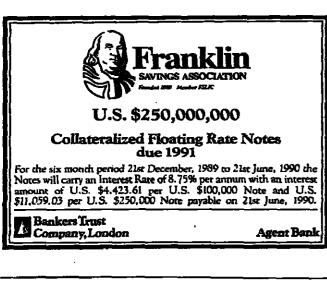
For a full editorial synopsis and advertisement details, please contact:

> RICHARD BECCLE on 01-873 4181

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES





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	term	notice	Month	Months	Months	Yesar
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(11.00 a.m. Dec-22)	3 moreles US dollars	6 months US DoRars				
bid 63a	offer 612	pid 81 ₂	offer 8%			
be fixing rates are the artif	ametic means monded to the ne e reference banks at 11.00 a.m sche Bank, Sampe Kational	arest one-sixteenth, of the i	aid and offered rates for \$10c			
PORTO TO USE PRESENCE, NY TITE	INTERPREDICE DAMES IN LILUM ALI	L BACK WORKING DAY, 148 DAY	DE SE SELECTION MEMBER			

FT LONDON INTERBANK FIXING

	A	IONE	Y RAT	ES		
NEW YORK			Treasur	y Bills and	Bonds	
(Lunchtime Dec.26 Prime rate Prime rate Follows Fed family Fed family Fed family	101 ₂ 91 ₂	Two mosth		7.71. Four 7.93 Fine; 7.95 Seen 7.81 10-m		7.83 7.84 7.94 7.87
Dec.22.	Overnight	One Morgh	Two Months	Three Months	Siz Months	Lombard intervention
Figuration Parts Zorich Annatedust Tokyo Miliaa Brussels Dublis	7.40-7.50 1081-1091 74-771 8.45-8.55 68-68 123-124 7.25 113-115	7.90-8.05 108-108 85-83 85-83 850-8.60 68-68 13-13-5 10-101 ₆ 114-117	7.90-8.05 102:-103 -	7.90-8.05 1012-102 84-85 8.50-8.60 63-68 13-131 ₂ 101 ₂ -101 ₄ 113-124	8.00-8.20 1011-102 1213-1214	8.00 9.50 -

De; 22	Overnjght.	7 days notice	One Month	Three Manths	Six Months	Car Yes
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nterbank Bid	2	14	144	15	148	141
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ocal Anthority Deps	14世	154	126	194	14[]	14
ocal Authority Bonds	,a,	143	127	1 3.7.	· ~	_
Discount Mkt Deps	143	14.4	14% 15%	427	1 Ta 1	14
Company Deposits	- 1			1 427 1	15 143	145
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Treasury Bill one-month 14½ discount 14.483 1989 - Agreed in Schemes II & III Scheme IV&V: 1 days' fixed, Fixes sunts at seven day over beld under o cent; six-aliae mo from Oct 9,1985	8 p.c. EUGD F ates for period I: 16.43 p.c. R 5.148 p.c. R 5.148 p.c. Loca wice Houses Ber one month 111-2 oths 13 per can	ixed Rate Steri December, 26 1 Leference rate ! Li Authority and Le Rate 15½ fr Le Rate 15½ fr per cera; case ! Li cine-twelve n	ing Export F 989 to James or period Ro I Finance Ho on Decembe or Tax Depo bree months 1 I onths 13 per	Finance. Malury, 23 , 1990, w.l., 1989 to uses seven day r 1 , 1989; Est (Series 6); L3 per cest; Under & cant: Under &	sp day Nove Scheme 1: 15. November,30 rs' notice, othe lank Deposit & Deposit £100, tree-six month	mber 30 87 p.c., , 1989, es seven lates for 000 and s 13 per
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BANK	OF ENG	LAND T	REASU	RY BILL	TEND	Ŗ

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PHILADEL PH £31,250 loss	ますむ 取 名 (2) (PTUMS								-
Strike Price 1500 1525 1580 1575 1600	Jan 12.50 10.00 7.50 5.00 2.52	Feb 12.30 9.80 .7.50 5.08 3.16	alis 12.2 9.7 7.3 5.2 3.5		25 .00 .74 .92	Jan - - 9.56	F6 0.0 0.1 0.3 0.3 1.7		Mar 0.29 0.55 1.06 1.82 2.87	Jan 1.72 2.40 3.31 4.62 5.74

NATIONAL AND REGIONAL MARKETS		FRID	AY DECEN	THER 22 19	89		THURSDAY	DECEMBE	DOLLAN MOEX			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Clay's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gress Div. Yield	judex Doller US	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	(approx
Australia (65)	150.45	+0.6	137.60	127,08	+0.5	5.35	149.62	137.57	126.48	160.41	126.28	145.01
Austria (19)	170.92	+ 1.5	156.32	152,40	+0.7	1.60	168.35	154,79	151,32	172.22	92,84	
Belglum (63)	152.94	+21	139.88	135.21	+0.7	4.11	149,77	137.70	134,25	152.94	125,58	134,31
Canada (120)	150.95	+0.0	138.06	126.58	-0.1	3.17	150,89	138.73	126,85	154.17	124,87	124.50 165.60
Denmark (36)	234.71	+ 1.0	214.67	212.53	-0.1	1.48	232.45	213,72	212.85	237,06	165.35	
Finland (26)	133.96	+1.4	122.52	114.08	+0.5	2,47	132.06	121.42	113.55	159.16	718.63	129.23
France (126)	153.57	+1.4	140.46	140.6B	+0.4	2.65	151.49	139.28	140,08	153.57	112.57	112.65
West Germany (96)	116.74	+1.6	106.77	103.66	+0.6	2.03	114.93	105.67	103.07	118.74	79.56	87.77
Hong Kong (48)	120.82	+1.3	110.50	121.05	+1.2	4.71	119.26	109.67	119,59	140.33	86.41	110.02
Ireland (17)	178.28	+0.8	163.05	163.07	+0.0	2.67	178.81	182.57	163.10	179.42	125,00	130.32
Italy (97)	96.89	+0.6	88.62	92.53	+0.0	2.48	96.36	88.60	92.51	26.89	74.97	84,90
Japan (455)	194,12	+0.0	177.55	175.29	-0.6	0.48	194.17	178.53	176.37	200.11	164.22	187.45
Malaysia (36)	228.72	+ 1.5	209.19	237.57	+ 1.3	2.23	225.36	207.21	234.43	228,72	143.35	143.00
Mexico (13)	323.12	+3.9	295.53	945.03	+3.9	0.55	311.09	286.03	909.84	326.61	153,32	167.51
Netherland (43)	140.68	+1.2	128.68	123.84	+0.1	4.30	139.07	127.86	123.71	140.69	110.83	.110.99
New Zealand (18)	71,96	+ 1.2	85.81	64.04	÷1.0	5.50	71.12	65.39	. 63.39	88.18	62.64	67.21
Norway (24)	182.97	+0.8	176.49	173.52	+0.2	1.57	191.45	178.03	173.20	196.39	139.92	. 139:38
Sincapore (26)	177.04	+0.2	161.92	155.63	+0.5	1.93	176.77	162.53	154.89	177.04	124.57	122.93
South Africa (60)	194.38	+0.7	177.78	153.86	+0.0	3.66	193.00	177.45	153.68	194.38	115.35	115.69
Spain (43)	160.88	+0.0	147-14	134.49	~0.6	3.91	160.85	147.89	135.26	169,75	143.14	-146,23
Sweden (35)	184.41	+0.2	168.66	170.21	-0.4	201	184.13	189.29	170.84	188.94	138.45	144.35
Switzerland (62)	92.42	+0.3	84.53	88.78	-02	201	92.15	84.72	88.96	94.18	67.81	76.78
United Kingdom (303)	155.67	+0.8	142.37	142.37	+0.3	4.36	154.33	141.90	141.90	158.41	133.20	132.98
USA (544)	140.66	+0.8	128.65	140.66	+0.8	3.32	139,55	128.31	139.55	146.29	112.13	113.13
Europe (990)	138.80	+1,0	126.95	125.52	+0.3	3.36	137.42	126,35	125,18	138.80	112.63	113.11
Nordic (121)	181.14	+0.0	165.67	158.79	~0.2	1.79	180.03	165.53	- 159.08	181.96	137,95	138.03
Pacific Basin (668)	189.62	+0.0	173.43	171.22	~0.5	0.71	189.58	174.31	172.15	194.72	160.44	182,55
Euro – Pacific (1658)	169.44	+0.3	154.97	152.96	-0.3	1.59	168.85	155.25	153.37	170.37	141,58	154.78
North America (664)	141.17	+0.7	129.12	139.78	+0.7	3,31	140,13	128.84	138.76	146.66	112.79	113.74
Europe Ex. UK (687)	127.28	+ 1.1	116.41	115.20	+0,2	2.69	125.89	115.75	114,94	127.20	98.30	100.42
Pacific Ex. Japan (213)	135.65	+0.8	124.07	120.76	+0.8	4.78	134.57	123.73	119.85	140.05	117.93	124.08
World Ex. US (1851)	169.13	+0.3	154.69	152.32	~0.3	1.66	168.55	154,97	152.72	169.94	141.49	153.32
World Ex. UK (2092)	158.14	+0.4	144.64	148.95	+0.0	1.97	157.44	144,76	148.89	159.45	136.96	138.38
World Ex. So. Al. (2335)	157.68	+0.5	144.21	148.27	+0.1	2.16	156.92	144.25	148.17	158.84	136.67	138.00
World Ex. Japan (1940)	140.80	+0.8	128.78	134 <i>.</i> 45	+0.6	3,39	139,61	128.37	133.70	140.89	114.51	114.01

FT-ACTUARIES WORLD INDICES

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The World Index (2395)... 157.90 +0.5 144.42 148.30 +0.1

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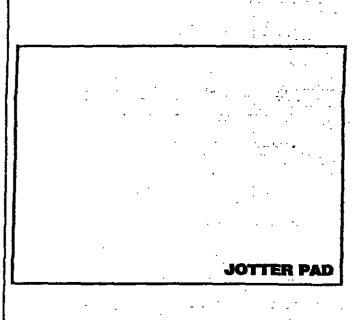
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1 Congenial address for a ship's captain? (3,3) Quarrel has bearing on the French (6) 8 Faults and defaults (7) 9 Gyrated helplessly into

9 Gyrated helplessly into disaster (7)
11 A load of energy (4,2,4)
12 The sound of a pig in agreeable surroundings (4)
13 Garment unusual in cur (5)
14 Under no obligation to observe the customs? (4,4)
16 Station carriage (8)
18 Returning United Kingdom party's prestige (5)
20 Slide in flexible disk (4)
21 They have suffered from off-

21 They have suffered from off-hand relationships (10) 23 Hero-worshipper seen on the

Thames (7)
24 They aim to get her into the bright lights - of radio? (7) 25 Run out on the sand (6)

26 Passed shuffled cards (6) 1 Work in the music business

(5) One's kid supplies supple One's and supplies supple leather (?)

3 Craftsman is one among the craftier sort (9)

5 April in Paris (5)

6 How an underwriter might finish work? (4.3)

7 Risks of heat in terminals (9)

(9)
10 A charity worth fighting for (4.5)
13 What an unwise drinker

may set, the fool (9).

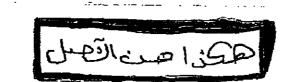
15 Agree to a wage cut and drown one's surrows (4.1.4).

17 News of current interest? (7).

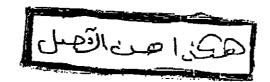
19 Many felt irritated and ahandoned (7).

21 Free from blame, that's evident (5). dent (5) 22 Nears new gains (5)

The solution to the Christmas Crossword will be published with names of winners on Saturday January 6.



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WORLD STOCK MARKETS

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Base values of all indices are 100 except NYSE All Common—50; Toronto Composite and Metals—1000. Toronto indices based 197: 83, † Excluding bonds.; Industrial, plus Utilities, Financial and Trauralishie.	tandard and Poor's - 10; and and Montreal Portfolio 4/1/	"Saturday Dec. 23: Taiman Weighted Price: 8875.70 Karez Comp Ez. 932.99. "Simolary Dec. 25: Japan Blistel 39423.62. Tolyo SE 2847.30. 2nd Section 3822.43. § Subject to official resolutation. Sacr values of all inflices are 100 enzyst: Brussels SE, ISEQ Overall and DAX — 1.000, JSE Gold — 235.7, JSE industrials — 254.3 and Australia All Ordenay and Blistop — 500; to Closed, to Unavailable.
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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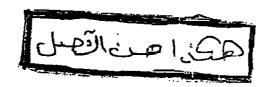
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Dow stagnates as signs of higher inflation hit bonds

EXTREMELY slow trading left most equities virtually unchanged on Wall Street yesterday in spite of a big drop in bond prices, writes Anatole Kaletsky in New York.

With many investors still away on their Christmas holidays, equity prices drifted within a narrow range, maintaining most of the unexpected gains recorded late on Friday when the Dow Jones Industrial Average had jumped by 20.26

Yesterday, the Dow closed 2.14 down at 2,709.25 on very low volume of 78m shares. The market's lack of direction was revealed by the figures for the number of advances and declines, which were fairly evenly balanced with 695 ssues up and 676 down. Trading was more decisive

Treasury's benchmark long bond closed at 1011, 14 down on the day. The bond yielded 7.98 per cent at this price. Federal Reserve Funds traded at between 8% and 8½ per cent. The bond market's gloom seemed to reflect a combination of factors, including the sharp fall of the dollar in Tokyo trading over the week-end and weather-related por-

tents of higher inflation from the commodity markets. These included a limit-up surge in orange juice futures, as well as further big price gains in crude oil and heating oil. The jump in orange juice futures was in response to frigid weather in Florida over the weekend. Oil prices climbed not only because of the weather, but also in reaction to an explosion at the Exxon refinery at Baton Rouge

on Sunday. In the stock market, Exxon lost \$1/4 to \$50% on news of the energy stocks were little changed. Airlines retreated in response to the higher oil prices, with AMR down \$1 at \$59. UAL was an exception to gain of \$6% to \$169% as hopes persisted of a restructuring or buy-out.

The day's most active trading was in Bank of New England, down \$% at \$7% after it suspended its dividend on

Retailers mostly did well in response to press reports that Christmas sales receipts were up by between 4 and 5 per cent over last year. Sears advanced \$% to \$37% and May Department Stores rose \$% to \$45%. Blue chips generally showed few changes. IBM fell \$1 to \$94% while General Motors advanced \$% to \$42%.

Consumer growth stocks fell back, with Coca-Cola losing \$% to \$75% and Philip Morris off

China brings Hong Kong some end-of-year cheer

John Elliott on a change of pattern in the market

A T THE END of a year in which China had brought only bad news to Hong Kong's nervous stock market, the pattern changed with a Chinese initiative just before Christmas.

The announcement that the Peking-controlled China International Trust and Investment Corporation is negotiating to buy between 10 and 20 per cent of Cable and Wireless's Hongkong Telecommunications, for up to HK\$10bn, brought festive heer to a market which had been struggling bravely to show some cause for celebra-

Now, the news could help boost trading in the traditional rally period running up to Chinese New Year at the end of next month, when the trouble-some Year of the Snake gives way to the more bland Year of

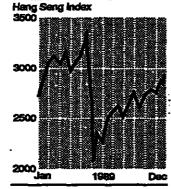
The proposed share purchase by CITIC's Hong Kong offshoot was announced after trading hours last Thursday. The next day, before closing for Christmas, the Hang Seng Index rose by 53.33 to 2,921.02 and broke through the symbolic 2,900 barrier in the process.

That is the highest level since the June crisis in China brought the index tumbling 15 to a low of 2,093.61 on

Brokers saw the propose purchase of a significant stake in one of Hong Kong's leading utilities as an important statement by Peking of faith and commitment to the colony's economic future in advance of the 1997 return to Chinese sovereignty. They largely ignored the alternative interpretation: that Peking is gradually buy-ing its way into positions of influence or control of significant parts of the colony's economy well before 1997. CITIC, which already owns

Airways, recently bought 26 per cent of the fledgling Dragonair Airlines and is now negotiating to enlarge that stake so that it has a significant voice in the colony's avia-tion business. It already has a stake, bought from Cable and Wireless, in the telecommunications company of Macao, the nearby Portungese enclave

Hong Kong



which returns to China in 1999. It is also believed to be considering other purchases.

Hong Kong's stock market is highly sensitive to China and has had little to cheer about China's political and economic problems, plus a decline in Hong Kong's own economic activity. The colony has achieved only 3 per cent gross domestic product growth this year, according to government forecasts, and this could fall in

the coming year.

But the lower end of the property market is buoyant, reflecting investment by ethnic Chinese, and the Government is pressing ahead with HK\$127bn infrastructure plans which should boost economic activity within a couple of

On the stock market, companies are continuing to cash in their low share values. Price earnings multiples are about 10, which is about half the ratings of other regional markets. Companies are therefore buying their own shares in a process known locally as privati-sation. The latest candidates include the Lau brothers' Evergo Investments and the Shun Ho Investment property

> A market boost is likely within a few months, with news from the Hongkong and Shanghai Banking Corporation. The shares have been extremely active for the past three months since Mr William Purves, the chairman, revealed that he was considering publishing the bank's substantial hidden reserves.

> This might happen when the interim results are published in March and would lead to a revaluation of the shares. A decision is also expected within the next 12 months about whether the bank is to enlarge its stake in the UK's Midland Bank, in which it is a minority shareholder.

Politically, the colony is slowly emerging from the gloom of the symmer, although a tough line to be adopted in Peking over its post-1997 Basic Law may hit confidence. When the law is completed, however, it will remove some uncer-tainty, as will the eventual resolution of the UK Parliament's position on the issue of British

DESSOORES. Unless there are more destabilising shocks from China, that could help the market recover in the Year of the Horse, although no analysts are yet prepared to forecast when it might regain its all-time high of 3,949, achieved just before the 1987 world mar-kets crash.

ASIA PACIFIC Nikkei breaks record after taking rate rise in stride

Tokyo

THE BANK of Japan's Christ-mas gift to the market - an increase in the official discount narease in the official discount rate – left share prices free to leap into new territory, even if trading stayed thin, writes Michiyo Nakamoto in Tokyo. With substantial help from arbitrage buying, the Nikkei average put on 257.69 to a record high of 38,681.31, after a strong gain on Monday of strong gain on Monday of 383,25 to 38,423,62.

The market took in its stride the central bank's announcement on Sunday of a 0.5 point rise in the official discount rate. Having been warned of an impending move, investors were prepared to discount the news once it came.

The index gains were achieved on relatively thin turnover. Monday saw volume of only 507m shares, which improved only slightly yesterday to 653m. The high for the Nikkei yesterday was 38,761.23, with a low of 38,643.85. The Topix index of all listed shares added 19.65 to 2,866.95.

Much of the Nikkei's gain was attributed to arbitrage buying involving the futures markets. A lack of investment themes contributed to the market's lassitude. "Investors will be waiting to see discussion of next year's themes over the holidays," said Mr Shin Tokoi at County NatWest.

However, prospects for increased trade stemming from greater East-West contact continued to stir investors' imaginations. The focus yesterday was on companies that could benefit from a possible relaxation of Cocom restrictions on moderately active trading. The high-technology exports to market focused on second and communist countries.

Oki Electric, second in vol-ume with 19.5m shares traded, rose Y60 to Y1,240. Even Daikin Industries, an industrial machinery maker which was previously found to have violated Cocom rules, gained Y90 to Y2,170 in active trading.

market focused on second and third line stocks, but there was some scattered interest in blue chips, described as mostly rotational buying, switching from one sector to another. The Straits Times index rose 3.19 to 1,487.76. Volume fell to 129m shares worth S\$166bn from Friday's 134m and Sharp, the consumer electronics maker, was pursued on concentrated on speculative

THE CLOSURE of most European markets for Boxing Day kept trading quiet in France and Spain.

PARIS declined on profit-taking in thin trading, with the OMF 50 index off 1.40 at 541.51. Some small stocks showed good gains: arms and engineering group Luchaire rose FF733, or 8.6 per cent, to FF7416 amid stake-building rumours; and Penhoet, the holding group, gained FF735 to FF7645 on news of a stake in a small aerospace company.

MADRID's general index rose 0.69 to 296.88 in a virtually empty market. Banco Popular rose 4 percentage points to 764 per cent of par value and, in construction, the best performing sector after days of selling, Valderrivas rose 50 to 4,100.

the strength of its profit and technology prospects, in which it is a leader, topping the vol-umes list with 21.2m shares

and gaining Y50 to Y1,860.
Special situations were pursued in Osaka, helping the OSE average rise 239.01 to 38,931.64. Volume rose to 98m. shares from Monday's 55m. Izumiya, the supermarket chain, rose Y460 to Y3,500 on reports that Shuwa, its leading shareholder, was prepared to sell to another leading retailer.

Roundup

VOLUME WAS higher than expected in the run-up to the new year holidays, with those markets that were open mostly moving higher. SINGAPORE stayed firm in met, which topped the most actives list and closed 3.5 cents

higher at 87.5 cents.

TAIWAN, which saw its weighted index rise 207.96 on Saturday, rose another 296.68, or 3 per cent, to 9,145,38. It was closed on Monday for Constitution Day. Volume was 1.1bn shares and NT\$124bn, up from 878m and NT398bn.

MANILA finished higher across a broad front as the market continued its recovery from a 24 per cent drop in one week earlier this month after the failed political coup. The composite index rose 56.89, or 5.3 per cent, to 1,131.85.

SEOUL saw active trading as the composite index lost 23.27 to 909.72 on the last trading

Chicago's Magic Kingdom cleans up its act

Deborah Hargreaves on changes taking place in the world's biggest futures markets

T IS a world of make believe, where money grows on trees, dreams become reality, a Disneyland for adults." This is how Mr Mark Ritchie, a long-time trader who heads Chicago Research & Trading, describes the city's futures exchanges in his autobiography, God in the

Futures trading, with its fast hitting image, has turned Chicago, its birthplace, into a mecca for speculators eager to make a fast buck. But the city's futures

exchanges have just completed a year of battling controversy on all fronts. If allegations by federal prosecutors turn out to be true, the spires of Chicago's Magic Kingdom have long been riddled with dry rot.

The "feds" recently indicted two more futures traders on charges of fraud and trading charges of fraud and training abuse after a two-year undercover probe into malpractice in the world's largest futures exchanges. The trials of 46 traders charged in the summer are soon to start.

The FBI probe has tarred Chicago's markets with the brush of fraud as prosecutors' allegations paint a picture of futures schemes bent on cheating hundreds of customers out of their nervous profits. As the wolves bay for reform in the windy city, Chicago's esoteric way of trading is under siege.

The indictments, which proscutors are adding to as part of

a continuing investigation, list a whole range of ways traders are alleged to have kept cus-tomer orders from the open market — a cardinal sin in commodities trading. Some brokers filled customer orders privately, the charges allege, others pre-arranged trades, completed trades after the mar-ket's close and traded ahead of large customer orders they knew would sway the market. Many of the allegations involve traders scratching out

prices on their record cards in a bid to boost their profit on a completed trade. This is easily done in the helter skelter of the futures pits, where the only transaction records are cards filled in with pencil. In fact, the structure of the futures markets and their arcane trading methods makes them vulnerable to cheating. Open outcry may have been an effective way for a handful of grain farmers to sell their products in the 1850s, when futures



Tom Donovan (right, with Karsten Mahlmann, CBT chairman):
"The open outcry system is proven to be the best in the world"

trading started, but today it appears colourfully anachro-nistic.

The value of honour on which open outcry is based has changed a lot since the system was born. Many veteran traders view with despair the fast and furious methods of their younger colleagues.
In an atmosphere alive with ambition, aggression and ava-

rice, Chicago's 5,000 futures traders yell out their trades to fellow brokers, gesticulating wildly and crushed into trad-ing pits not much bigger than average sized living rooms. Brokers hustle to win a

profit on commissions that have been undercut, amid fierce competition, to over a dollar a trade. Most of these independent brokers spend their time filling hundreds of small trades. But one simple mistake can wipe out an order profit within seconds as all traders are forced to pay for any mismatched or "out-trades" at the end of the day. As the exchanges struggle to

harness the polymorphous monster they have created, it grows ever bigger, volume at the Chicago Mercantile Exchange this year was almost a third higher than last year's 78m contracts. Users of the futures markets are not naive. Although the probe has broken the tacit agreement between customer and broker that the

now and again, customers have

not shied away from futures. "My customers overseas are more concerned about the overall price protection they get from the markets than the quarter of a cent they will be ripped off here and there. they have incorpo-rated that into the cost of doing business," says Mr Dan Markey, president of Agri Analysis in Chicago, who advises users in Australia and the Philippines.

ne customer complaint, he customer contribution of however, from giant Illinois grain processor, Archer Daniels Midland, is believed to have triggered the FBI probe in the first place. Although ADM will not comment on the probe, the company's futures wing trained some of the FBI's undercover men to pose as traders. In an era of global competi-tion, fraud is a tax on the cus-

tomer and as Chicago fights to hold on to its lead in the world industry, its markets should be as efficient as possible. It is this efficiency that Chi-

cago's futures exchanges underline in their bid to convince Congressmen not to get carried away with regulation. They fear that overburden-some rules could force business to competing markets In a bid to grasp the initia-tive, the exchanges have announced their own efforts to clean up their act. They are instituting tighter policing measures which were suggested by industry regulasuggested by manustry regula-tors years ago but overlooked by exchange hierarchies intoxi-cated with rapid growth. Tighter oversight of the

industry is inevitable as the House and Senate debate a wide-ranging and complex market reform Bill that is expected to become law early next year. The Bill will beef up the surveillance powers of the industry regulator, the Commodity Futures Trading Com-mission (CFTC), but threatens to remove its jealously-guarded jurisdiction over stock index

As part of the debate on programme trading that was resuscitated by the "mini-crash" of October 13, futures markets have come in for a further round of finger-pointing. Chicago has been forced to defend the strategy against a bulk of hostile opinion since the New York Stock Exchange imposed wide restrictions on

the practice. Congress is intent on busting open the image of Chicago's exchanges as private clubs and is pushing for more outside participation on exchange boards. Many users would agree. In July, the Chicago Board of Trade declared an emergency in the exchange's soyabean futures contract. Farmers are now suing CBT directors, claiming that they illegally manipulated prices for their own benefit and that of clients. It would help to dispel fears such as these if an equal

number of users as brokers sat on exchange boards.

The sacrificial lamb of the FRI probe appears to be the practice of dual trading which is widespread in the futures industry. The CFTC has now said it will ban the practice in a bid to show its teeth as a regulator. Congress had planned to restrict the practice until exchange audit trails could be improved.

Dual trading allows brokers to trade for themselves and customers at the same time, with the inevitable conflicts of interest that creates. However, exchanges argue that the practice is a means of providing liquidity and does not of itself foster trading abuse. Exchange audit trails were

first put in to track dual trading and are now useful surveil. lance tools. But the CFTC believes that some trading abuses are almost impossible to spot, even with the improved audit procedure. By far the most significant

step Chicago has taken in a bid to restore its market integrity is a rare joint initiative by the city's two exchanges. The CST and CME have earmarked 15m to develop a system of bandheld computer terminals, which will enable traders to punch in trades as soon as they occur rather than writing them down in pencil.

xchange officials herald the automated data input as a way to marry the computer with open outcry in a bid to preserve their archaic system of trading. "The open outcry system is proven to be the best in the world and this will make it more efficient by providing the confidence people need," believes Mr Tom Donovan, CBT president.

The move towards hand-held terminals comes as both exchanges are working to develop a computer system for trading on-screen when Chi-cago's floors are closed. It takes Chicago one step further towards moving on screen alto-

We've passed the stage of trying to improve this 1930s style of trading and we have to think of alternative methods. . to be more creative in our ways of trading," says Mr Tom Russo, a prominent commodities lawyer at Cadwalader, Wickersham and Taft in New York, who was also counsel to the CFTC.

Screen trading would provide a more accurate audit trail with the advantages of on-line clearing and settling trades. It would further eliminate out-trades - often costly mistakes that traders resent having to pay for. However, it could throw up additional oversight problems such as com-

puter security.
Computer trading has not been an unqualified success when tried elsewhere in the futures industry. But with the unparalleled resources and liquidity in Chicago, the exchanges should be able to come up with a viable system. However romantic and colourful it may be, the days of open outcry may be numbered.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 22,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied, D-MARK YEN

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The Continues of the Co	Angola (Kwanza) Antigna (E Carr S) Argentina (Anstrali Aroba (Florin) Anstralia (Aus S)	48.458u 29.91 4.3713 2.696 1617.00 997.5 2.8980 1.787 2.05525 1.267	80 17.5096 6 1.5795 323 584.2818 7 1.0471 8 0.7426	20.9321 1.8692 698.4881 1.2518 0.8877	Greece (Drachma) Greenland (Danish Krone) Grenada (E Carr S) Guadaloupe (Local Fr)	256,60 10,7925 4,3713 9,4675 1,6210	158.2973 6.6579 2.6966 5.8405	92,7190 3,8997 1,5795 3,4209 0,5857	110.8423 4.6619 1.8882 4.0896 p.7002	Pitcaire is (£ Potand Portagal	Sterling) 1 (NZ \$) 2 (Zloty) 9:	.00 .7130 583.00 42.80	0.6169 1.6736 5911.7828	0,3613 0,9803 3462,6919 87,7326	0.4319 1.1719 4139.524 104.8812
Sample (1974) 1.1. 1.1. 1.1. 1.1. 1.1. 1.1. 1.1. 1.	Azores (Port Escudo) Bahamas (Bahama S)	242.80 149.7 1.6210 1	940 87.7326 0.5857	0.7002	Guinea (Fr) Guinea-Blasan (Peso)	485.70 1052.354	299,6298	381 7524	1.9881 209.8056	Qatar	(Riyal) 5.	8762		2.1232	2.5383
sette G S 2200 1100 1100 1100 1100 1100 1100 11	Balearic Is (Sp Peseta) Bangladesh (Taka) Barbados (Barb S)	178.65 110.2 50.70 31.27 3.2563 2.008	69 18.3197 8 1.1766	21.9006 1.4066	Halti (Goude) Honduras (Lempira) Hong Kong (HK \$) Hungary (Forint)	8.0950a 3.233a 12.6413 101.6263	5 2 7.7984 62.6935	1.1682 4.5677	3.4967 1.3965 5.4606 43.8990	Rostania Rwanda	(Fr) la	4.141 23.62 3713	8.7290 76.2615 2.6966	5.1093 44.6684	6.1079 53.3995 1.8882
Commonword Com	Beitze (B S) Benig (CFA Fr) Bernyuda (Bernyudlan S)	58.10y 35.84 3.2380 2 473.375 292.0 1.6210 1	20 20.9936 1.1700 265 171.0478 0.5857	1.3987 204.4816 0.7002	iceiand (Iceiandic Krona) India (Indian Rupee) Indonesia (Ruplet)	99.25 27.10	61.2276 16.7180 1791.8568	35,8626 9,7922 1049,5392	42,8725 11,7062 1254,6868	St. Liicia St. Pierre (F St. Vincent (ECANTSO 4. reach Fr) 9. ECANTSO 4.	3713 4675 3713	2.6966 5.8405 2.6966	1.5795 3.4209 1.5795	0.4319 1.8882 4.0896 1.8882
Treated 23 17722 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0772 1.0762 1.0762 1.0772 1.0762 1.0762 1.0772 1.0762 1.0762 1.0762 1.0762 1.0772 1.0762 1.0762 1.0772 1.0762	Bolivia (Boliviano) Botsugna (Pula) Brazil (Cruzado) British Virgia is (USS)	4.7680 2.941 3.04 1.875 15.46675 9.541 1.6210 1	3 1.7228 3 1.0984 4 5.5886	11.7062 2.0596 1.3131 6.6810 0.7002	iraq (traqi Dinar) trish Rep (Pout) israel (Shekel)	0.4997 1.0495 3.167	0.3082 0.6474 1.9537	0.1805 0.3792 1.1443	0.2158 0.4533 1.3680	Sao Tome Saudi Arabia Senegai Seychelles Sierra Leone	(Dobra) 13 (RiyaD 6. (CFA Fr) 47	70.7236 .4075 73.375	105.3199 3.9528 292.0265	61.6887 2.3152 171.0478 3.2086	73.7466 2.7678 204.4816 3.8358
methods (Carley) 521-351 100 (2004) 177.8970 105.0252 107.007 105.007 105.0	Brunel S) Bulgaria (Ler) Burkino Faso (CFA Fr)	3.07125 1.894 1.3344 0.823 473.375 292.0	6 1.1097 1 0.482 <u>1</u> 265 171.0478	1.3266 0.5764 204.4816 4.6557	Japan (Yes) Jordan Gerdanian Dinar)	1.0823	142.8130 0.6676	83.6495 0.3910	100 0.4675	Solomon is Somali Rep ((\$) 3. (\$) 3. Shilling) 60	07125 8789 13.79	409,4941	1.1097 1.4015 239.8518	286,734
Towns in C. (2.5) 1.34389 (0.250 0.4805 0.3804 0.4805 0.3804 0.4805 0.3804 0.4805 0.3804 0.4805 0.3804 0.4805 0.3804 0.4805 0.48	Carebodia (Riel) Cameroon (CFA Fr) Canada (Canadian S) Canary is (So Peseta)	243.15a 150 473.375 292.00 1.8745 1.156 178.65 110.20	87,8590 265 171,0478 3 0,6773 097 64,5528	105.0323 204.4816 0.8097 77.1706	Korea North (Won) Korea South (Won)	2.05525 1.5704 1.092,025	21,5052 1,2678 0,9687 673,6736 0,2946	0.7826	0.8877 0.6783 471.7170	Spain Spanish Ports in N Africa (S	(Peseta) 17 o Peseta) 17	78.65 78.65	110.2097 . 110.2097	2.1040 64.5528	2.5153 77.1706
nego (GPAZ) (CFA Fr) 473.375 292.0265 171.0478 204.4816 (CFA Fr) 4	Cayman is (CI S) Cent.Afr. Rep (CFA Fr) Chad (CFA Fr) Chile (Chileau Peso)	473.375 292.0 473.375 292.0 448.01 276.3	265 171.0478 265 171.0478 787 161.8825	204.4816 204.4816 193.5248	Laos (New Kip) Lebanon (Lebanos 5) Lesotho (Maluti)	943.877 795.00 4.1405	582,2806 490,4380 2,5542	341.0576 287.2628 1.4961	407.7222 343.4125	Sodan Rep Surfamp Swaziland G. Sweden	(Guilder) 2. Kanomi) 4.	8818 1405	11.3695 1.7777 2.5542	6.6594	27.8185 7.9611 1.2448 1.7885
The final period 1 (25 APT) 473.275 222.0265 17.1.0478 294.4815 also (Copyrin D 0.7725 0.4765 0.2791 0.3336 17.304 27.7357 292.0265 17.1.0478 204.4816 14.305 2.652.4 1.5531 1.8573 1.85	Rina (Renuimbi Yuan) Olombis (Co! Peso) Omoros (CFA Fr) Osgo (Brazz) (CFA Fr)	670.575 413.67 473.575 292.00 473.375 292.00 134.077 83.940	798 242 3035 265 171.0478 265 171.0478	289.6652 204.4816 204.4816	Libys (Libyan Dinar) Liechenstein (Swiss Fr) Laxembourg (Lax Fr)	0.4744 2.5125 58.10		0.1714 0.9078 20.9936	0.2049 1.0853 25.0971	Switzerland Syria Taiwan	(F) 2 (S) 40	5125 3.9996 2.20	1.5499 21	0,9078 12,2850 15,2484	18.2289
14.941 9.1548 5.3622 6.4103 Mail Rep (Grafts) 15.1749 9.3614 5.4852 6.5550 (Grafts) 15.1749 9.3614 5.4852 6.5550 (Grafts) 15.1749 9.3614 5.4852 6.5550 (Grafts) 15.1749 9.3614 6.6579 19.3552 19.35422 19	Côte d'Ivoire (CFA Fri Cuba (Cuban Peso) Opprus (Cyprus D	473.375 292.00 1.2900 0.7950 0.7725 0.4760	265 171.0478 8 0.4661 5 0.2791	204.4816 0.5572 0.3336 9.8920	Malawi (Kwacha)	4.3045 4.3705	149.7840 1333.4361 2.6554 2.6961	87.7326 781.0298 1.5553	19503	Togo Rep Togga is () Trigidad/Tobago	(CFA Fr) 47 Pa Appa) 2	L30 73.375 05525	25.4780 292.0255 1.2678	171.0478 0.7426 2.885	17.8401 204.481 0.8877 2.9722
Orninical Rep (D Pesi) 10.855		14.84t 9.154	8 5.3622	6.4103 6.4103	Mail Rep (CFA Fr) Maita (Maitese £) Martinium (Local Fr)	15,1749 473,375 0,5440 9,4675	9.3614 292.0265 0.3355 5.8405	171.0478 0.1965 3.4209	204.4816 <i>0.2349</i> 4.0896	Turks & Calcos Turks & Calcos Turks (Aust	ralian \$) 2	6210	2304.0715 1	1349.5573 0.5857	0.6411 1613-34 0.7002
## Comparison Structure 1.00 1.03456 6.3822 3.7382 4.4689 4.4689 1.7924 4.6894 1.792	Cominical Rep (D Peso)	4.3713 2.6960 10.8565 6.6974	1.5795 4 3.9228	1.6862 4.6896	Mexico (Mexican Pess)	4324.15a 4257.97d	2667,5817 2626,7550	8.6540 1562.4751 1538.5618	1867.8833 1839.2958	United Kingdom United States	(USS) 1.	9220 00 6210	9.6333 9.6169	2.1398 0.3613 0.4857	258,067 2.5580 0.4319 0.7002
Rikland is (Falk £) 1.00 0.6169 0.3613 0.4319 arec is (Danish Kroner) 10.7925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6579 3.8937 4.6619 1.07925 6.6583 4.0600 2.5780 2.8428 (Falk 2) 1.07925 6.6583 4.0600 2.5780 3.4239 4.0894 6.08025 (Fr.) 4.675 5.8405 3.4239 4.0894 6.089	gypt (Egyptian 5)	973.645a 600.64 4.15 2.5603 10.3456 6.3822	1 1.4995 2 3.7382 245 171.6478	1.7926 4.4689 204.4836	Monaco (French Fr) Mongolla (Tugrik) Montserrat (E Carr 5) Morocco (Dintam)	9.4675 5.4326a 4.3713 13.2668	5.8405 3.3655 2.6966 8.1843	3.4209 1.9629 1.5795 4.7937	5.7307 I	Vannatu Vaticas	Mannes n.	30.00 31.40	0.6044		0.4232
Marker Color Col	alkland is (Falk £) arce is (Danish Kroner)	3.32295 2.0499 1.00 0.6169 10.7925 6.6579	9 1.2006	1.4353 0.4319 4.6619			2.5542 1.2678 23.9703	1.4961 0.7426	1.7825	Vietaum Virgin is-British Virgin is-US	OS ST	255.30 6210 6210	4494,4478 . 1 1	0.5857	0.7002
Norway (Nor. Kronc) 10.74 6.625 3.8007 4.6393 Zaire Rep (Zaire) 700.97 432.4305 253.2863 302.794 Zaire Rep (Zaire) 700.97 432.4305 253.2863 302.794 Zaire Rep (Zaire) 700.97 432.4305 253.2863 302.794 Zaire Rep (Zaire) 700.97 432.4305 21.7253 14.0172	Toland (Marita) Trance (Fr) Tr. Cty/Africa (CFA Fr) Tr. Sulana (Local Fr)	6.5813 4.0600 9.4675 5.8400 473.375 292.00 9.4675 5.8400	2.3780 3.4209 265 171.0478 5 3.4209	2.8428 4.0896 204.4816 4.0896	N'nd Antilles (A/Guilder) New Zestland (YZ \$) Electronic (Contains)	2.91420 2.7130 24637 48	1.7977 1.6736 21240,8698	12441.3550 171.0478	14873.1965 204.4816	Yemen Yemen PDR	ORIAD 15	.7853 5505a	9.7380 0.3430	5.7038 0.1989	6.6187
	, PAGITIC B (CPPPP)	1/1.00 105.49	304 OT'\880 ·	. <i>13.8</i> 060			6.6255	4.3875 3.8807	5.2451 4.6393	Zaire Ren	(Zaine) 70	D.97	432.4905 20.0185	70461.4272 253.2863 11.7253	302.794 14.0172

THE CREDIT RISK MANAGERS



SPECIALIST CREDIT ANALYSIS

